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**Beijing and the 1997 Takeover of Hong Kong:
Centralized Political Control and the Promise of Autonomy**

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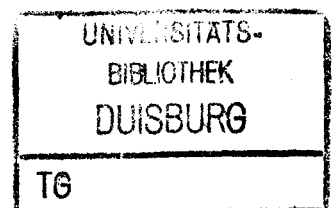


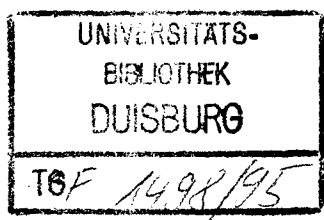
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Vorwort

Die vorliegende Studie entstand aus einem Diskussionsbeitrag anlässlich des jüngst in Duisburg veranstalteten internationalen Symposiums "China: A New Growth Center in the World Economy", das von der Volkswagen-Stiftung finanziert wurde. Ein ausführlicher Konferenzbericht liegt mit der Nummer 7 unserer Reihe "Duisburger Arbeitsberichte zur Ostasienwirtschaft" vor.

Der Autor, Sebastian Heilmann vom Institut für Asienkunde in Hamburg, war gebeten worden, den ebenfalls als Nr. 8 der "Arbeitsberichte" publizierten Beitrag von Kuan Hsin-chi zur gegenwärtigen Lage Hong Kongs zu kommentieren. Seine Analysen zu den wachsenden informellen und formalen Machtstrukturen der Volksrepublik China in Hong Kong erreichten aber eine solche Breite und Tiefe, daß uns eine separate Publikation geboten schien. Gemeinsam mit dem Beitrag von Kuan dürfte nun ein umfassendes und gleichzeitig höchst aktuelles Bild der komplexen Problematik Hong Kongs gezeichnet sein. Beide Autoren betrachten Hong Kong aus politikwissenschaftlicher Perspektive: So mag der ökonomische Aspekt zu kurz kommen. Doch dürfte die Politik in den nächsten Jahren zur entscheidenden Determinante der Entwicklung Hong Kongs und damit auch der weiteren kantonesischen Wirtschaft werden. Gleichzeitig ist dies, anders als die Wirtschaft, eine weitaus komplexere und undurchsichtigere Materie. Daher erscheint die Konzentration auf die Politik durchaus angemessen: Zur Zeit ist ohnehin die Neigung westlicher Betrachter ausgeprägt, wirtschaftliche Entwicklungen isoliert zu analysieren und dann linear zu extrapolieren.

Im Mittelpunkt des Duisburger Symposiums stand die Frage, ob China künftig ein neues Gravitationszentrum der Weltwirtschaft sein wird. 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 anderen 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 muß Hong Kong besondere Aufmerksamkeit gelten.

Duisburg, den 9.8.1994

Prof. Dr. C. Herrmann-Pillath

Sebastian Heilmann

Beijing and the 1997 Takeover of Hong Kong: Centralized Political Control and the Promise of Autonomy

Speculations about what Hong Kong will look like after the Chinese takeover scheduled to take place on July 1st, 1997, are rife. Optimists say that, for economic reasons, China will leave the territory's social and business environment intact and cling to what it promised: that Hong Kong's people will rule Hong Kong with a high degree of autonomy. Pessimists, on the contrary, envisage Chinese police and military forces patrolling the streets of Hong Kong and a weak local puppet government helplessly manipulated by the Chinese leadership.

When dealing with the Chinese takeover of Hong Kong, most observers highlight the disputes and dealings between London and Beijing that involve questions like electoral reform, fiscal policy, infrastructural build-up or the transfer of military sites and facilities. Although these controversies are important there is a much less publicized development that will probably have a more profound and lasting impact on Hong Kong's future: Beijing's unilateral establishment of a centralized "shadow structure" of political control over Hong Kong which bypasses the British colonial government.

The methods and institutions employed by Beijing to secure its dominance over the territory give us many clues on how Hong Kong will be governed after 1997 since the existing structure of control lays the foundations of future Chinese rule over the territory. We can safely assume that many of the processes and structures established by now will help to identify factors shaping the future of Hong Kong in the context of China's overall development.

Socio-Cultural Hongkongization and Economic Integration in South China

According to Kuan Hsin-chi¹, we have to distinguish very different processes regarding socio-cultural, economic and political relations between Hong Kong and China. In the social and cultural area, we are witnessing a process sometimes called the "Hongkongization"² of South China. The Cantonese dialect and common

local customs as well as kinship relations (immigrants from Guangdong and their posterity constitute the biggest part of Hong Kong's population) are strong bonds that unite people living in Guangdong and in Hong Kong. Such informal ties are at the heart of the Hong Kong-Cantonese special relationship and have proved to be highly resistant to official restrictions.

The popularity of Hong Kong television in South China has also greatly contributed to blurring the differences of popular culture previously separating Hong Kong from China. Hong Kong's pop culture as well as consumers' preferences, value orientations and symbols of social status are rapidly spreading in South China.³ The Hong Kong way of life (which according to the Sino-British Joint Declaration is to be safeguarded until 2047) is rapidly conquering the Chinese hinterlands, a process which is feared by the Chinese Communists as the "swallowing of the socialist system" by capitalist habits and values.

In the realm of business, we can observe a multi-faceted interdependence and symbiosis between Hong Kong and Guangdong. Economically, Hong Kong has become inseparable from Guangdong and, according to two major economists, the territory's "'de-industrialization' seems to have reached a point at which it has become irreversible".⁴ The process of economic integration did not follow the European model of administrative formalization and legal-institutional "harmonization" pushed forward by the political centers. In South China, economic integration is the result of local and on Hong Kong's side exclusively private economic activity that led to an interpenetration between two very different economies: one of the least regulated market economies in the world (Hong Kong) and a dynamic provincial economy (Guangdong) which enjoys a relatively high degree of autonomy in the context of a partially reformed planned economy (China).

The socio-cultural and economic interpenetration could contribute to Hong Kong's autonomy towards the Beijing government after 1997: the interests of Hong Kong and South Chinese provinces in keeping Beijing out of the game are becoming more and more congruent and might lead to the formation of a Southern Chinese united social and economic front against interferences from Beijing.

A Centralized Structure of Political Control

Aside from social and economic developments, the implications of political relations between China and Hong Kong are much more contradictory and much less promising, as is revealed by a closer look at Beijing's efforts to gain political control over the territory. Here, one cannot overlook an ongoing process of centralization in Beijing's policy-making regarding Hong Kong which contradicts the centrifugal forces at work in the social and economic realm.

Whereas the power of the Chinese political center has generally been weakened in the course of economic reforms,⁵ the means of control over Hong Kong have been considerably strengthened. This process was accelerated by the serious challenges to Beijing's authority emanating from the territory in 1989 when the people of Hong Kong enthusiastically supported the Chinese student movement and in 1992 when Governor Patten made his proposals for a democratization of electoral procedures in Hong Kong.

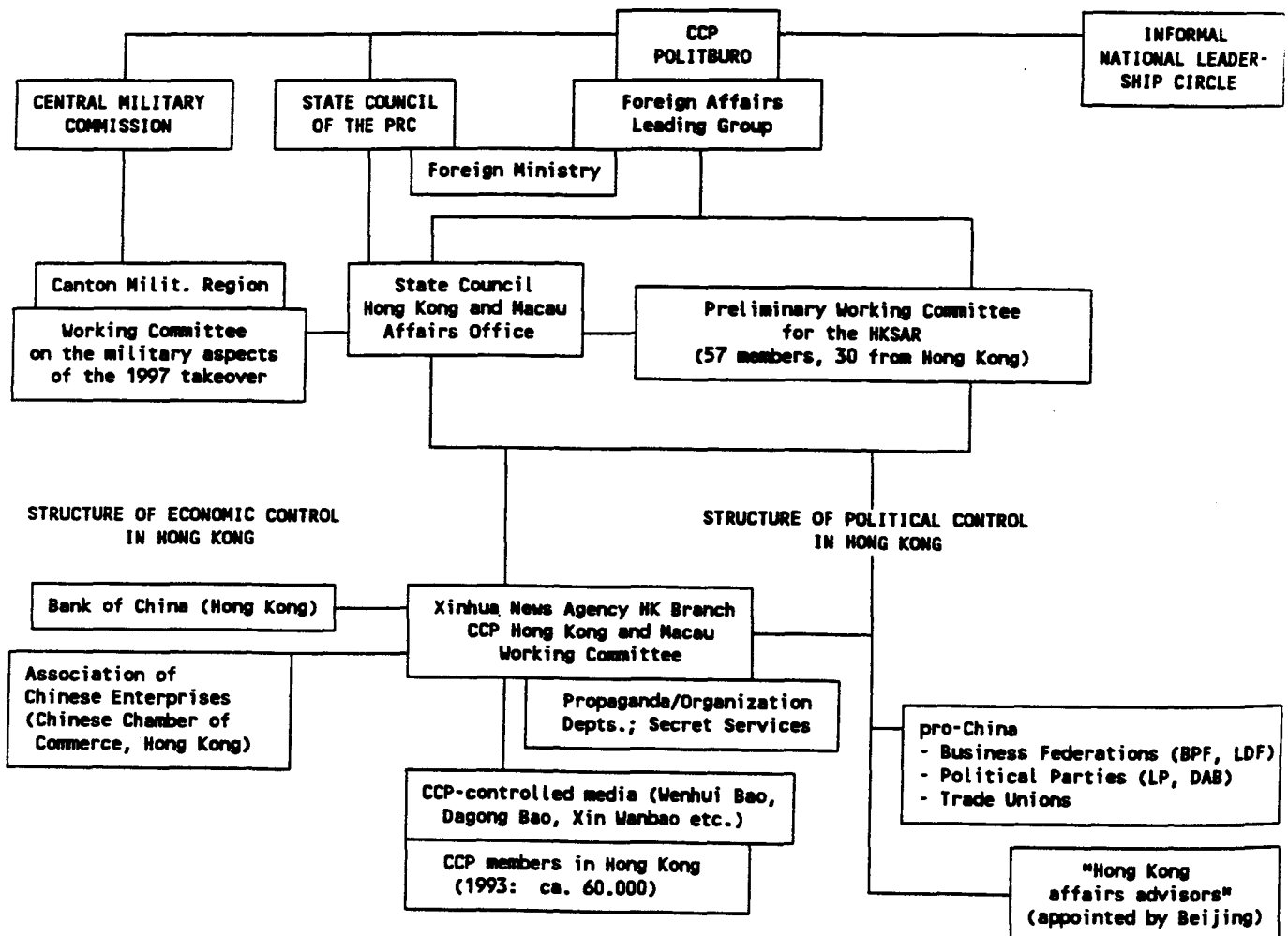
The structure of decision-making and control with which Beijing tries to manage the 1997 takeover is in many ways revealing (the basic elements of this structure are shown in the figure included in this paper). The Chinese Communist Party had started to set up an elaborate organizational structure in Hong Kong in the early fifties. During the last decade, with the prospect of the 1997 takeover and responding to an intensifying Sino-British controversy, the control structure was expanded and streamlined. By establishing a shadow system of political control bypassing the Hong Kong government, Beijing tries to marginalize the colonial authorities and guarantee central domination over Hong Kong.

Beijing's Hong Kong Affairs Establishment

In the eyes of China's leadership, the Hong Kong problem has gained key importance since it affects the issue of Chinese sovereignty and the prospects for reunification with Taiwan: the peaceful takeover of Hong Kong is meant to serve as a model for solving the Taiwan problem.

Hence, policy-making regarding Hong Kong is highly concentrated in central leadership circles, in the CCP Politburo and in the important Foreign Affairs Leading Group, a specialized committee led by Politburo members that supervises and decides on international and also on Hong Kong affairs.⁶ The paramount leader

Beijing's Management of the 1997 Takeover: Structure of Decision-Making and Control



Dr. Sebastian Heilmann, Institute of Asian Affairs, Hamburg, June 1994

Sources: *Jing Bao*, No.2 (1994), pp.14-16; No.4 (1994), pp.18-19. *Guangjiaojing*, No.4 (1994), pp.17-19. *Dongfang*, No.7 (1993), pp.14-15. *Zhengming*, No.6 (1993), pp.7-8; No.2 (1994), pp.59-61. Zhang Hu 1993. Burns 1990.

Deng Xiaoping, State President and CCP General Secretary Jiang Zemin, Prime Minister Li Peng, Admiral Liu Huaqing, and Foreign Minister Qian Qichen serve as the most important players in this respect. Their decisions, directives and speeches determine the general direction and principles of Beijing's Hong Kong policy.

The State Council's Hong Kong and Macau Affairs Office (HKMAO)⁷ plays a pivotal role in coordinating Beijing's political initiatives. This office is responsible for day to day work on Hong Kong questions and has the task to create a "united front" with elite circles and to mobilize the "masses" of the territory in support of the CCP's goals. By now, the HKMAO is the most important institution on the working level of China's Hong Kong affairs establishment, below the central decision-making level and above the local bodies operating within the colony. This office also oversees the activities of the PLA's working committee on the military aspects of the 1997 takeover and of the Preliminary Working Committee for the Hong Kong Special Administrative Region (see figure).

Judging by the many different political, economic and military interests involved in Beijing's Hong Kong policy, it is hardly surprising that wide variations exist among Chinese decision-makers in assessing the contemporary and future role of Hong Kong and in handling the political diversity (from pro-Beijing "patriots" to "hostile agents of foreign powers") found in the territory. On the one hand, there is a strong interest to uphold Hong Kong's prosperity. This concern is bolstered by the private economic involvement of many top cadres' families in Hong Kong business. On the other hand, Beijing leaders fear that Hong Kong might become a base for subversive activities against the socialist system. "The mixing of Hong Kong's politics with that of its Chinese hinterlands"⁸ is much feared by Beijing. Those fears could lead to massive political interventions, even to military repression in case of serious political opposition in the region.

The contradictions in Beijing's assessment of Hong Kong's economic and political role were recently reiterated by Lu Ping, director of the HKMAO, when he warned that "Hong Kong has always been an economic city, never a political city". If anyone attempted to use the territory to meddle with Chinese politics, "Hong Kong would be of negative value instead of positive value to China. This would be disastrous for Hong Kong".⁹ The idea that politics can be kept separate

from economics seems to stick very solidly in the heads of Beijing's leaders.

Although there are inconsistencies and frictions among the top leaders, hard-line policies towards Hong Kong appear to have continuously prevailed in the years since 1989. In the early nineties, factional strife within the Beijing leadership¹⁰ has been modest compared with earlier decades. Instead, bureaucratic competition and bargaining between different institutions of the Chinese state, including the army, seem to be more evident and important in Beijing's handling of Hong Kong affairs. To a certain extent, these processes of bargaining and compromising help to limit the impact of hard-line policies towards Hong Kong¹¹ but they do not work for safeguarding Hong Kong's autonomy after 1997. In contrast, the major players of Chinese politics are eagerly competing for controlling access to Hong Kong - without regard of local interests.

Furthermore, the Chinese leaders of all different affiliations are equally suspicious of any form of collusion between the governments of Hong Kong and Guangdong province. This constitutes a major obstacle for closer politico-administrative cooperation between provincial leaderships in South China and the authorities of Hong Kong. The Guangdong provincial government has almost no say in Beijing's policy towards Hong Kong and, in fact, has never dared to deviate from the political line of the Party center with regard to Hong Kong affairs.¹² This dilemma is reflected in a bifurcated process of far-reaching economic integration without a closer political alignment: except for technical cooperation in isolated fields (police, customs, immigration etc.), the political links which usually go along with economic integration are missing between Guangdong and Hong Kong.

The Army and the 1997 Takeover

For several reasons, the Chinese People's Liberation Army (PLA) has an important stake in Hong Kong's future.¹³ The territory is seen by different groups in the Chinese military from very different perspectives. The navy command plans to use the port facilities as a base for expanding its presence in the South China Sea. The army's R&D departments have a strong interest in securing access to dual technology goods through Hong Kong. From a political perspective, PLA leaders have occasionally strongly criticized China's Hong Kong policy for being too soft and conciliatory. Several veteran military leaders belong to those who consider Hong

Kong as a threat to the Chinese socialist system and as a potential source of subversive activities. In contrast, many of the younger officers, especially those involved in the numerous PLA enterprises operating in Guangdong, Shenzhen and Hong Kong, prefer to see the territory as a base for profitable business dealings. Rivalries within the Chinese military over access to the resources available in Hong Kong are on the rise and will certainly intensify in order to secure a good starting position before 1997.

Besides this competition, military affairs relating to Hong Kong are a highly centralized matter. The leadership working group on the military aspects of the 1997 takeover which was established in May 1993 is chaired by Xu Huizi (executive deputy chairman of the PLA General Staff) and comprises of more than 60 top cadres. The working group's base of operation is the Canton Military Region but it has to report directly to the Central Military Commission and the PLA General Staff in Beijing.

It was Deng Xiaoping's personal demand that PLA units be stationed in Hong Kong as a manifestation of Chinese sovereignty after 1997. The troops are already being trained in Guangdong, the units consist of selected officers and soldiers who are supposed to remain disciplined and loyal after being stationed in capitalist Hong Kong. The trainees have to attend courses in English and Cantonese as well as on Hong Kong customs and laws. The size of the future PLA garrison in Hong Kong has not been fixed yet but the areas of deployment have been clarified by a Sino-British agreement on the transfer of military sites and facilities reached at the end of June 1994.

It is important to note that PLA units of the Canton Military Region have already held maneuvers in preparation of quelling potential popular unrest in the territory. This indicates, that the PLA's role in post-1997 Hong Kong will not be confined to external defence. Facing so many allegedly "hostile forces" in the territory, the army will also deal with internal security problems.

The New China News Agency and the CCP Working Committee in Hong Kong
The Hong Kong branch of the New China News Agency (NCNA)¹⁴ which is the organizational coverup of a CCP Hong Kong and Macau Working Committee has lost a lot of political weight and autonomy in the past five years. In the fifties, the

Guangdong Provincial Party Committee had acted as an agent for the central leadership on Hong Kong matters, and the CCP Working Committee on Hong Kong was dominated by Cantonese people. This has changed a lot since the eighties. The "local content" in the committee's leadership bodies was considerably diminished and today the committee is very much an alien body mostly staffed with non-Cantonese people. This "de-localization" policy was the consequence of Beijing's distrust of Cantonese cadres suspected of having a tendency to gang up with their Hong Kong-Cantonese counterparts.¹⁵

A further manifestation of the branch's declining status is that the working committee's present secretary Zhou Nan merely enjoys the nomenklatura position of a vice-minister while his predecessor Xu Jiatun had ministerial rank. Thanks to his high ranking, Xu could afford, on several occasions, to bypass the formally superordinate HKMAO and to report directly to the CCP's Foreign Affairs Leading Group. This led to intense bureaucratic rivalry between the HKMAO and the NCNA's Hong Kong Branch and, in the end, contributed to the downfall of Xu Jiatun who was denounced as overly ambitious and willful.¹⁶ After Xu Jiatun left for the United States (anticipating his dismissal by Beijing for holding too liberal positions), the CCP Working Committee in Hong Kong was downgraded so as to reassert central control.

Today, the Hong Kong NCNA Branch is confined very much to a role of a propaganda and liaison office coordinating and implementing initiatives emanating from the central leadership, guiding the pro-Beijing forces (trade unions, business federations, left-wing papers, etc.), promoting China's growing political, social and economic presence in Hong Kong, and orchestrating the formidable pro-Beijing media network which has been established over the past forty years in the territory.¹⁷

The Preliminary Working Committee

The establishment of a "Preliminary Working Committee (PWC) for the Hong Kong Special Administrative Region Preparatory Committee"¹⁸ in July 1993 which is formally subordinate to the Standing Committee of the National People's Congress was an important additional step by Beijing to give voice and structure to the interests of the political center and to install a "second stove" of power (*lingqi*

luzao) competing with the colonial authorities. The setting up and the workings of this body suggest that the post-colonial leadership will also be unilaterally selected and centrally guided by party and state organs in Beijing.

In May 1994, a session of the PWC was held in Hong Kong for the first time (earlier meetings had taken place in Beijing). This was obviously intended to raise the body's political profile and to show the presence of a shadow structure capable of replacing the colonial government prior to 1997 if necessary.¹⁹

The PWC has 57 members of which 30 come from Hong Kong, mostly NPC delegates, former Basic Law drafters, Hong Kong affairs advisors and other representatives of pro-Beijing organizations. It is chaired by Foreign Minister Qian Qichen and consists of five specialized policy subgroups (*zhuanli xiaozu*) of which the Political Affairs Group is the most important. In the manner of a constitutional mini-assembly, this subgroup discusses the future relations between the central government and the SAR executive, makes suggestions on the establishment of the SAR's first government and legislative body, reviews the laws passed by the colonial government since 1984 and studies how to handle any contradictions between colonial legislation and the Basic Law.²⁰ The PWC comprises a core of personages entrusted by Beijing with representing China's and Hong Kong's interest in a politically loyal and obedient way. Many of its members are likely to enjoy important positions of power in post-1997 Hong Kong.

The Collusion between the Chinese Leadership and the Hong Kong Business Elite

The composition of the PWC points to an important recent development: the incipient institutionalization of an alliance between the Chinese political elite and important parts of the Hong Kong business elite. Beijing has successfully coopted local entrepreneurs into centrally controlled consultative bodies.²¹ This is shown by the proportion of Hong Kong business people assigned to the Preliminary Working Committee or named as official Hong Kong Affairs Advisors or District Advisors by Beijing. The alliance is not confined to political cooptation but extends to lucrative business deals. Numerous Hong Kong tycoons are closely cooperating with high-level cadres or their posterity in investment projects launched by Chinese state-owned corporations. The deals are often backed by central government ministries or by provincial administrations.²²

By cooperating and avoiding political confrontation with Beijing, Hong Kong business people intend to safeguard their position beyond 1997. An independent Hong Kong legislator, Lee Kwok-po, scathingly criticized those business people who were once pro-British but had now switched allegiances to being pro-China in order to protect their business interests: "It is ironic to see the millionaire politicians, high priests of Hong Kong capitalism, bowing before the altar of communism during their servile pilgrimages to Beijing".²³

Cooperation between Beijing politicians and Hong Kong businessmen has been further institutionalized by founding pro-business, pro-Beijing parties and organizations which play an increasingly important role in the territory. In opposition to parties articulating a critical attitude towards Beijing (e.g. the United Democrats or Meeting Point which have recently fused and founded the Democratic Party), there are several groupings with close relations to the Beijing leadership (like the Democratic Alliance for the Betterment of Hong Kong (DAB) launched under Beijing's influence) and business-dominated parties and organizations supporting closer cooperation with the future sovereign of the territory (like the Liberal Party (LP) which has links to the Business and Professionals Federation (BDF) and the Liberal Democratic Federation (LDF)).²⁴

Securing centralized control over the diverse social forces and political organizations active in Hong Kong is an urgent necessity in the eyes of China's leadership. But what about the economic interests interfering with those political goals? Can the central leadership really control what Chinese corporations and cadre-entrepreneurs are doing in Hong Kong? What is the impact on Hong Kong of the many businesses operated by the Chinese nomenklatura in the territory?

The Extension of Nomenklatura Capitalism to Hong Kong and the Limits of Central Control

The extension to Hong Kong of the nomenklatura capitalism cultivated in the PRC's "socialist market economy" is rapidly proceeding. This variant of a transitional economy is characterized by the political manipulation of economic opportunities as well as by the collusion and intermingling between the PRC nomenklatura and local business leaders. The mainland cadres and entrepreneurs operating in Hong Kong have brought with them their peculiar "work style": their respect

for contracts and laws is weak and the habit of getting along by using personal connections, political manipulations, and corruption are already forcing changes onto Hong Kong's commercial environment.²⁵

There are thousands of Chinese-controlled enterprises, "shell companies", and "backdoor" businesses in Hong Kong. State-owned Chinese companies listed in Hong Kong now account for 7% of market capitalization in the territory. Chinese corporations like CITIC have considerable shares in Hong Kong telecommunications, trading houses, and airlines. The activity of Chinese "shell companies" is concentrated on steering assets which nominally belong to Chinese state enterprises, however are often being diverted into private hands. Such "hot" capital has considerably contributed to the more than twenty billion U.S. dollars that have been channeled into Hong Kong's property and share markets by Chinese investors.²⁶

A report put together by the Ministry of Supervision and the State Council's Hong Kong and Macau Affairs Office early this year gave some details on PRC business involvement in Hong Kong. About 66,000 citizens of the PRC have permanently settled in Hong Kong for business reasons. Among these, a heavy proportion (up to 79%) of party and state cadres above the office (*chu*) level and of top cadres' children ("princelings") are to be found. They enjoy living in the capitalist environment, exploiting their good connections with the PRC power elite and being courted by Hong Kong business people.²⁷ Bankers and entrepreneurs in Hong Kong are eager to offer the sons and daughters of Chinese leaders foolproof deals, expecting special favors in return. In fact, the Chinese nomenklatura is using the colony as the most important and convenient gateway for private enrichment. *The Economist* aptly called their privileged access to business deals in Hong Kong "cronyism come to market".²⁸

What is Beijing doing against the many irregular business deals initiated by party and state cadres in Hong Kong? The NCNA's Hong Kong branch serves as an official contact point between Chinese commercial and governmental institutions. The Chinese Enterprises Association (Chinese Chamber of Commerce) founded in 1991 represents Chinese state and provincial corporations and operates under the NCNA's guidance. But the NCNA, despite its important role in Beijing's control structure, seems to have increasing difficulties to keep track of what Chine-

se cadres and businessmen are doing in Hong Kong. Political control of commercial activities has been considerably weakened during the last fifteen years. In addition, the biggest Chinese players in the Hong Kong economy (like the Bank of China group, China Resources, China Merchants, CITIC Pacific) have their own direct lines to Beijing. The NCNA branch has not the clout to interfere with their business.

It has obviously become impossible to supervise the manifold, often dubious and skillfully camouflaged business activities of well-connected PRC cadre-entrepreneurs in the territory. Kuan Hsin-chi describes the growing number of "Chinese governmental offices, firms, and agents, of central and local affiliations, with official and unofficial status" as China's "Trojan horses" which have the potential to ruin Hong Kong with their speculative activities, corrupt behavior, and political clientalism if they are not effectively dealt with by the Chinese leadership.²⁹ These "Trojan horses" have to a large extent escaped central political control but they are, nevertheless, forces that jeopardize Hong Kong's prospects as an economic powerhouse by introducing business practices (political manipulation, cronyism and corruption) that are incompatible with a world-class trading place.

The Weakening of the Colonial Government

Since the date of the Chinese takeover is drawing near and the economic interdependence between Hong Kong and China is intensifying, the powers of political gravitation towards China are getting stronger. Self-censorship in the Hong Kong media, the tacit or open support for Beijing by Hong Kong business leaders, the political apathy of large parts of Hong Kong's population, the limited articulation and organization of opposition against Beijing - all this points in the same direction.

The prospect of the 1997 takeover and the many threatening gestures made by Beijing³⁰ have weakened the colonial government. Beijing intervenes into Hong Kong's fiscal policy and local infrastructural projects (the Port and Airport Development Strategy is the most conspicuous case) and mobilizes pro-China forces in the territory. In 1993, some pro-Beijing activists even suggested to stage demonstrations against the colonial authorities in Hong Kong so as to expose the weakness of the local government and show Beijing's muscle.³¹ In fact, Beijing claims a

right of veto over any important political programme that might change the political status quo in Hong Kong or run counter to the unconditional "convergence with the Basic Law" demanded by Beijing.

The Promise of Autonomy

The Beijing leadership promises that, after 1997, "Hong Kong people will rule Hong Kong" (*Gangren zhi Gang*) with a high degree of autonomy. Judging by the structure of political control set up by Beijing and by the facts that the future Chief Executive of the HKSAR will be named by Beijing (he is supposed to be chosen by a committee selected by Beijing), that Chinese military and police units will be stationed in Hong Kong, that the Standing Committee of the NPC has the power to "interpret" the Basic Law, it seems more likely, as Martin Lee of the United Democrats put it, that "Hong Kong puppets" will rule Hong Kong with a high degree of control.³²

It is highly questionable if the electoral reforms which were approved in June 1994 and aim at strengthening the democratic legitimation of the Legislative Council will provide Hong Kong with an institution that has a real "fighting chance to preserve the territory's autonomy", as some British officials hope.³³ It is one of Beijing's key strategies to disregard Legco as an essential lawmaking and representative institution and to limit its role to that of a consultative body serving the executive.

Beijing leaders conceive the power and sovereignty of the political center as indivisible and, by establishing a centralized control structure, they want to make sure that Hong Kong's sovereignty is exercised by Beijing, not by the people of Hong Kong.³⁴ For them, vertical checks and balances between periphery and center that are needed to safeguard any kind of political autonomy are not acceptable. The concept of "one country, two systems" simply does not fit into the framework of the Chinese unitary state.³⁵

**Neither Greater China nor Greater Hong Kong:
Will Hong Kong become a "Special Region Directly under the
Jurisdiction of the Center"?**

There can be no doubt that Beijing possesses the power to destroy Hong Kong's prosperity and its way of life. In the worst case, political interventions from Beijing could provoke the degeneration of a prosperous NIC into a desperate "CRIC" (Collapsing Recently Industrialized Country), to use a neologism coined by Chalmers Johnson.

In several areas, a deterioration of the politico-administrative environment seems to be almost inevitable: the rule of law, civil liberties (even without formal democracy as practiced by the colonial government), a civil service free of corruption, and a police force free of political manipulation will hardly be compatible with the principles of rule practiced by the Chinese Communist Party. In those areas, the standards maintained by the colonial regime will be difficult to keep up. Many of the bad habits common in the PRC (political manipulation, corruption, administrative inefficiency and so on) are already soaking into Hong Kong.³⁶

In general, Hong Kong's prospects are closely bound to the dynamics of modernization in the Cantonese economic area, to general domestic developments in China and to "court politics" in Beijing. Hong Kong's future will also be heavily influenced by the business interests of the Chinese nomenklatura and the Chinese military that have an important stake in Hong Kong's economy and don't want to have the goose killed that lays the golden eggs for them.

Despite those economic interests in maintaining Hong Kong's prosperity, political events may finally prove to be the most important determinant of the territory's prospects. How the Chinese leadership handles the succession to Deng Xiaoping inevitably will have a profound impact on Hong Kong. In the history of the PRC, succession struggles have repeatedly led to political destabilization. The present succession problem is aggravated by growing social tensions within China, difficult relations between the political center and the provinces and the weakening of the Communist Party's organizational means of control over the Chinese populace.³⁷ Hong Kong's future, to a very large extent, depends on domestic Chinese developments. London, the colonial government, and the territory's population have only marginal influence on those processes.

In the long run, the ongoing "Hongkongization" of Chinese society in Southern China may work for Hong Kong's self-assertion towards Beijing. Thanks to a rapid convergence of economic interests, Guangdong might serve as Hong Kong's "buffer" against interferences from Beijing, the growing integration of the region into the world economy may serve as a check to the central government, and Southern Chinese economic liberalism might finally triumph over Beijing interventionism. The problem is that it will probably take longer than three years until the tail (Hong Kong and Guangdong) can wag the dragon (China).

Looking at the particular structure of political dominance exerted by Beijing over Hong Kong right now, the fashionable concepts of neither "Greater Hong Kong" nor "Greater China" help us to explain the state of affairs. Whereas Beijing's relations to Guangdong are characterized by a process of decentralization, its relations to Hong Kong seem to become more and more centralized.

Against this background, what is Hong Kong going to be after 1997? As long as Beijing can prevent Guangdong and Hong Kong from ganging up politically, Hong Kong will hardly become an autonomous "Special Administrative Region" as promised in the Joint Declaration and in the Basic Law. The territory is more likely to constitute a new species: a *zhixia tequ*, a "Special Region Directly under the Jurisdiction of the Center".

NOTES

- 1) Kuan 1994, *passim*.
- 2) For this term, see McMillen 1994, p.60.
- 3) Kuan 1994, p.10.
- 4) Ash and Kueh 1993, p.743.
- 5) See Heilmann 1994, pp.39-43.
- 6) Yahuda 1993, pp.259-61.
- 7) This office has been reorganized recently, see *Guangjiaojing* (Wide Angle, Hong Kong), No.4 (1994), pp.17-19.
- 8) McMillen 1994, p.60.
- 9) Cited after *The Far Eastern Economic Review*, 19 May 1994, p.24.
- 10) Such conflicts are discussed by Lo 1994, *passim*, who somewhat underrates the fluidity and context-sensitivity of political positions held by Chinese leaders on the Hong Kong question. It is too simplistic, for instance, to call Foreign Minister Qian Qichen a "softliner": Qian has given many rather "hard-line" speeches regarding the Hong Kong issue and his moderate statements seem to be motivated by his sensitivity for the tactical necessities of diplomatic success. Lo's hypothesis that factional strife within the CCP brings about "an oscillation between relatively soft-line and hard-line approaches in the handling of Hong Kong affairs" (*ibidem*, p.14) seems to apply primarily to elite conflicts in the eighties but less so to the early nineties.
- 11) This point is also made by Lo 1994, p.14.
- 12) Kuan 1994, p.4 and 37.
- 13) On the PLA's activities and interests regarding Hong Kong: *Guangjiaojing*, No.7 (1993), pp.12-14; *Jingbao* (The Mirror, Hong Kong), No.6 (1994), pp.18-20; *Zhengming* (Contention, Hong Kong), No.2 (1994), pp.22-24; No.4 (1994), pp.16-18; *Dongxiang* (The Trend Magazine, Hong Kong), No.7 (1993), pp.14-15; McMillen 1994; Bridges 1993.
- 14) For details on the internal structure of this institution, see Burns 1990 and Zhang Hu 1993, both *passim*.
- 15) On the peculiar position of the "Guangdong clique" in the NCNA and on the "de-localization" of the NCNA leadership initiated by Beijing, see Lo 1994, p.9.
- 16) Lo 1994, p.6-8.
- 17) On the editorial briefings given by the NCNA branch to left-wing papers like *Wen Wei Po* or *Ta Kung Pao*, see Wong 1992. A very big proportion of the commentaries printed in the leftist press is said to come from an NCNA writing team.
- 18) The complicated name is explained by the fact that, according to Beijing's Basic Law for the future SAR, a Preparatory Committee should be set up only in 1996. Because of the intensifying Sino-British dispute, Beijing decided to establish such a preparatory body three years earlier than proposed in the Basic Law without giving it the name reserved for 1996.
- 19) For details of the PWC's work, see *Jingbao*, No.1 and No.2 (1994), pp.18-19 and 14-16, respectively; Yeh 1993, pp.123-25; Burns 1994, p.58-9; *Far Eastern Economic Review*, 19 May 1994, p.24.
- 20) New China News Agency, 26 February 1994; Yeh 1993, p.123.
- 21) Lo 1994, p.12; Herrmann-Pillath 1994, p.19.
- 22) Burns 1994, p.62.
- 23) *South China Morning Post Weekly*, 8-14 September 1992.
- 24) For Hong Kong parties, business federations, and their political orientation, see Hook 1993, pp.852-54, p.861. On plans for a fusion of pro-Beijing parties in preparation of the 1994/1995 elections, see *Jingbao*, No.7 (1994), pp.26-27.
- 25) Ting Wai 1992, pp.54-55.
- 26) *The Economist*, 7 May 1994, pp.61-2, and 4 June 1994, p.25.
- 27) *Zhengming*, No.7 (1994), pp.20-22.
- 28) *The Economist*, *op.cit.*
- 29) Kuan 1994, p.41.
- 30) See, for instance, a speech given by Deng Xiaoping in 1982 that was timely reprinted in the *Renmin Ribao* (People's Daily) on 24 September 1993, indicating the possibility of an early takeover. In addition, Beijing repeatedly issued warnings that China might disregard all contracts concluded by the colonial government before 1997 without Chinese approval. See *Frankfurter Allgemeine Zeitung*, 1 December 1992.
- 31) See *Zhengming*, No.5 (1993), p.8. The proposal to stage demonstrations was rejected by the Hong Kong and Macau Affairs Office which warned not to create trouble in the territory that might get out of hand.

- 32) Cited after Miners 1991, p.240.
- 33) See John Walden's comment in *The Far Eastern Economic Review*, 21 July 1994, p.28.
- 34) Cf. Lee 1993, p.102.
- 35) Kuan 1994, p.27.
- 36) For the civil service's problems, see *Jingbao*, No.3 (1994), pp.14-15; Miners 1991, pp.241-2. For warnings issued by Hong Kong's Independent Commission against Corruption with regard to the increasing "bribes across the border", see *The Sunday Morning Post*, 25 July 1993.
- 37) Cf. Heilmann 1994, *passim*.

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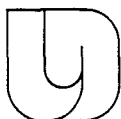
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