CHAPTER ONE

Up to mid-1997: Preparing to be returned to the motherland

Hong Kong's rise after World War II has been recounted numerous times. Many accounts in English romanticize the story or gloss over parts of it that do not reflect well on the British colonial rulers or the city's people themselves. Until the 1970s, Hong Kong was in many ways a dirty, squalid and corrupt, third-world place. Immigrants from the mainland were cheated by border guards and police; they made hillside shelters of scrap metal to live in and depended on charities for food and medicine. Unwanted babies went into open sewers. Gangs ran opium dens and preyed on the weak. The official policy was almost Dickensian laissez-faire: until the mid-1960s, factory workers had seven-day weeks; the government subsidized rehabilitation for the disabled only if it would make them economically productive; compulsory education at primary level was introduced only in 1971. Even though it was a magnet for some, for every refugee fleeing Mao Zedong's crazed policies on the mainland, there were many who were evidently not tempted by the promises of freedom under the British.

However, something in the policies and the people worked. During the 1960s, real wages rose by 50% and the proportion of households earning below the approximate poverty level of HK$400

a month fell from half to less than a fifth. By the beginning of the 1980s, even by the standards of booming East Asia, Hong Kong was on a magnificent roll. Government had become modern and clean. Industries like T-shirts and plastic toys had given way to higher-value products like electronics, and indeed all manufacturing was migrating to the newly opening mainland and being replaced by fast-rising services industries like trading and financial services. Per capita GDP was approaching the levels of the UK. Not only was Hong Kong the world's richest Chinese community, it was far and away the freest. While the mainland was under the communists, Taiwan under Kuomintang martial law, and Singapore under the authoritarian Lee Kwan-yew, Hong Kong had a free press and rule of law, though an unelected, colonial government. It had developed its own identity, with its own self-image, popular culture and lifestyle. With a sizeable educated middle class emerging, a modern and vibrant civil society was forming.

The Sino-British joint declaration signed in 1984 declared that Hong Kong would become part of the PRC in 1997, the year the UK's 99-year lease on the New Territories expired. The agreement gave Hong Kong a high degree of autonomy, with only defence and foreign affairs coming under Beijing. It promised that, for the first time, the city would be run by Hong Kong people. Furthermore, it would retain its capitalist system and its civil liberties and freedoms. The promise that the city would essentially carry on sounded good, though it was greeted with scepticism. Few people totally trusted Beijing's word. Even fewer at the time stopped to ask whether Chinese leader Deng Xiao-ping's assurance of '50 years, no change' was more threat than promise – a straitjacket on a dynamic society and economy. Despite Deng's economic reforms, China seemed backward and totalitarian to many Hong Kong people, and the main concern was that Beijing would wreck the city by importing the mainland way of doing things. This feeling was most obviously

illustrated by the scale of middle class emigration in the 1980s and 90s, much of it temporary to obtain a foreign passport. Books with titles like *City on the Rocks, Mouldering Pearl* and *Red Flag Over Hong Kong* prophesied doom. As it happened, these fears were proved after 1997 to be misplaced. Freedoms of speech, the press, assembly, movement, property ownership and religion remained intact. The People's Liberation Army (PLA) presence turned out to be small and unobtrusive. Corrupt mainland officials did not rampage. However, there was good reason to worry. Looking back at the period before and since the handover, it becomes clear that China was not ready to accommodate a changing Hong Kong. Beijing was not expecting a territory that was beginning to flower as a pluralist society where the idea had taken root that government existed to serve the people, not the other way round.

The period from 1984–1997 was marked by both friction and cooperation between Britain and China. With few bargaining chips, the UK's policy was essentially one of appeasement towards Beijing, while working behind the scenes to educate Chinese officials about Hong Kong's exotic features, such as the linkages between individual liberty, rule of law and economic success. China did not trust the UK and suspected that the British would somehow take the territory's wealth with them when they left or leave 'time bombs' behind. Beijing was intensely suspicious of any proposals to change the way Hong Kong was run. It insisted on taking over Hong Kong with the same ultimate control that (democratically elected) Westminster exercised. It was petrified of the idea that a disloyal local government could be established. In retrospect, we can now see that it was only on the understanding that it could ensure that such a local administration could not and would not take power that Beijing felt relaxed about promising Hong Kong people all their traditional rights and freedoms. This was to be reflected in the city's Basic Law, a PRC law drafted by a committee of Hong Kong and mainland figures to serve as a constitution by codifying the principles enshrined in the joint declaration. It was written on the assumption