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# *Development without Decolonisation? Hong Kong's Future and Relations with Britain and China,*

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1967–1972

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## **Abstract**

*At a time when the United Kingdom accelerated decolonisation and slowly embraced Europe, London gradually lost the means and the will to fulfil its responsibilities to Hong Kong up until the expiry of the New Territories Lease in 1997. Although the immediate cause of this pessimistic mind-set was the leftist riots in 1967, the factors underlying despondency in London had to do with developments before 1967, namely Hong Kong's growing economic prosperity and administrative autonomy from London since the late 1950s, and beyond Hong Kong itself, the global implications of Britain's withdrawal from East of Suez and entry into the European Economic Community by the early 1970s. By 1972 the process of the "decolonisation" of Hong Kong was well underway. Although the British deemed the time unsuitable to initiate formal negotiation with the then Chinese government, they were prepared to take "informal soundings" concerning Hong Kong's future when a new pragmatic leadership emerged and before the crisis of confidence ensued nearer 1997.*

Decolonisation has often been associated with economic factors be these, economic development of colonies which gave rise to an educated elite intent on political change, or the "development of underdevelopment" that caused poverty and rebellion by indigenous peoples.<sup>1</sup> In the 1960s and 1970s, the colonial status of Hong Kong was more precarious than its remarkable economic growth would have suggested. Paradoxically, the real source of threat was not Communist China, which was all too anxious to reassure Britain that Hong Kong's *status quo* should be maintained, nor was the source of threat coming from the Hong Kong people themselves who did not demand self-government, let alone independence from London. Rather, at a time when the United Kingdom accelerated decolonisation and slowly embraced Europe, London gradually lost the means and the will to fulfil its responsibilities in Hong Kong up until the lapse of the New Territories Lease in 1997.

<sup>1</sup>See, for example, N. J. White, *Business, Government and the End of Empire: Malaya 1942–57* (Kuala Lumpur, 1996); S. Stockwell, *The Business of Decolonization: British Business Strategies in the Gold Coast* (Oxford, 2000); and P. Burroughs and A. J. Stockwell (eds.), *Managing the Business of Empire: Essays in Honour of David Fieldhouse* (Portland, Ore, 1988).

This paper<sup>2</sup> focuses on the British government's deliberations about the future of Hong Kong between 1967 and 1972 in the wider context of colonial development, metropolitan politics, and changing international relations. During the left-wing riots that began in May 1967, the British government decided to undertake a study of long-term policy towards Hong Kong, predicated on the assumption that the United Kingdom could not rely on remaining in Hong Kong until 1997. (A study of the feasibility of an emergency evacuation from Hong Kong was also conducted.) Completed in March 1969, the final draft of the study concluded that "Hong Kong's future must eventually lie in China" and that "our objective must be to attempt to negotiate its return, at a favourable opportunity, on the best terms obtainable for its people and for our material interests there".<sup>3</sup> It is essential to ask: Why did British ministers and officials hold such pessimistic assumptions about Hong Kong? The leftist riots had long ended which demonstrated the desire of both the Hong Kong people and the Chinese leaders to maintain the *status quo*. To grasp the "official mind" in London, we must look at events and developments before 1967 – the changing relationship between Hong Kong and the United Kingdom in the course of the 1960s – and beyond Hong Kong itself – the global implications of Britain's withdrawal from East of Suez and entry into the European Economic Community (EEC) by the early 1970s. On the one hand, since the late 1950s, Hong Kong had enjoyed financial autonomy and growing economic prosperity, a state of development that increased its frictions with, and leverage over, the home government. On the other hand, after abandoning its East-of-Suez role in preference for Europe in the early 1970s, the United Kingdom became in effect a "post-imperial" power, one that was inclined to put diplomatic and economic relations with China above the colonial well-being of Hong Kong. By 1972 the process of the "decolonisation" of Hong Kong was well underway. Although the British deemed the time unsuitable to initiate formal negotiation with the then Chinese government, they were prepared to take "informal soundings" about Hong Kong's future when a new, pragmatic leadership emerged and before the crisis of confidence ensued nearer 1997.

The question of Hong Kong's future during this period has not been given in-depth scholarly treatment, especially from an international history perspective with extensive use of British archival material.<sup>4</sup> In the recent literature on the 1967 riots that touches upon the subject, the emphasis has been placed on the British planning for an emergency evacuation in 1967 rather than the study of Britain's long-term policy towards Hong Kong.<sup>5</sup> In retrospect, the short-term plan, which was merely a *feasibility* study and was abandoned by early December 1967, was far less significant than the long-term study, which continued well

<sup>2</sup>An earlier version of this paper was presented to a workshop on Hong Kong at the University of York on 4 July 2012. I wish to thank the organisers and participants of the workshop as well as the anonymous reviewers of this journal for their constructive criticisms.

<sup>3</sup>Memorandum by Stewart for Ministerial Committee on Hong Kong (hereafter MCHK), K (69)1, "Hong Kong: Long Term Study", 28 March 1969, CAB 134/2945, The National Archives (hereafter TNA), Kew, Surrey, United Kingdom.

<sup>4</sup>For assessments of the Hong Kong question prior to 1967, see C-K. Mark, "Defence or Decolonisation? Britain, the United States, and the Hong Kong Question in 1957", *The Journal of Imperial and Commonwealth History*, 33: 1 (January 2005), pp. 51–72; C-K. Mark, "Lack of Means or Loss of Will? The United Kingdom and the Decolonization of Hong Kong, 1957–1967", *The International History Review*, 31: 1 (March 2009), pp. 45–71.

<sup>5</sup>G. K-W. Cheung, *Hong Kong's Watershed: The 1967 Riots* (Hong Kong, 2009), pp. 95–99. Also see R. Bickers and R. Yap (eds.), *May Days in Hong Kong: Riot and Emergency in 1967* (Hong Kong, 2009).

after the riots and formed the basis of ministerial policy by the early 1970s. In examining why Governor Murray MacLehose undertook social reforms in Hong Kong between 1971 and 1979, two scholars contended that they were linked to the strategic objective of preparing for negotiation with China over Hong Kong's future.<sup>6</sup> Nevertheless, their primary focus is MacLehose's social policy in Hong Kong rather than the British government's deliberations about Hong Kong's future that began prior to MacLehose's appointment. In this vein, it is important not to confuse the Governor's responsibility for colonial administration with the formulation of China and Hong Kong policies in London, thereby exaggerating his role and influence in the British policy-making process. While MacLehose and his predecessor, David Trench, were primarily responsible for, and enjoyed much autonomous power over, the internal administration of Hong Kong, it was the Cabinet and the Foreign Office (after consulting the Governor among others) which made decision on such fundamental issues as the decolonisation of Hong Kong and Anglo-Chinese normalisation. In short, this article intends to trace how and why, ministers and officials in London came to the conclusion that they would take "informal soundings" with China about Hong Kong's future during a crucial period of Britain's external reorientation from Empire to Europe.

## I

It is necessary to begin with China's attitude and policy towards British Hong Kong. As early as 1949, Mao Zedong had decided to leave Hong Kong alone. While refusing to recognise the three "unequal treaties" through which Britain acquired it, the Chinese Communists were anxious to use Hong Kong for Cold War purposes: as an economic window to obtain foreign currency and embargoed goods, and as a political wedge with which to split the Anglo-American alliance. They saw the resumption of China's sovereignty over Hong Kong as a long-term task, which would probably be achievable in 1997 when the ninety-nine year lease of the New Territories expired. The principle of China's Hong Kong policy was what became known as "long-term planning and full utilisation".<sup>7</sup> Nevertheless, the Chinese government did not make an authoritative public statement until 1963. According to a *People's Daily* editorial of 8 March, with regard to the questions of Hong Kong and Macao, which were "a legacy of the past", China held that "when the conditions are ripe, they should be settled peacefully through negotiations and that, pending a settlement, the *status quo* should be maintained".<sup>8</sup> Significantly, the editorial, which had been seen and revised by top Chinese leaders such as Mao, Zhou Enlai and Deng Xiaoping before publication, was indeed a response to a hostile statement of the American Communist Party, which in turn echoed Soviet leader Nikita Khrushchev's criticism of China (by way

<sup>6</sup>R. Yep and T-L. Lui, "Revisiting the Golden Era of MacLehose and the Dynamics of Social Reforms", *China Information*, 24: 3 (2010), pp. 249–272.

<sup>7</sup>S. Nan and Z. Nan, *Zhou Enlai shangping [The Life of Zhou Enlai]* (Changchun, 1997), pp. 812–814; Y. Jin, *Zhonggong Xianggang zhengce miwen shilu [A Secret Record of the Chinese Communist Party's Hong Kong Policy]* (Hong Kong, 1998), pp. 2–5.

<sup>8</sup>"A Comment on the Statement of The Communist Party of the U.S.A.", *Renmin Ribao* Editorial, 8 March 1963 (Beijing, 1963), p. 13.

of Hong Kong).<sup>9</sup> In the context of the Sino-Soviet split, in December 1962 Khrushchev had criticised China's toleration of colonialism in Hong Kong and in Portuguese Macao, following Beijing's accusations of his diplomatic climb-down during the Cuban Missile Crisis. As the British Colonial Office assessed it, China was propelled to clarify its stance on "these two embarrassing left-overs from the past" in the light of the Sino-Soviet dispute.<sup>10</sup> In other words, the British could not take China's intention in Hong Kong for granted.

Long before the outbreak of the 1967 riots, the British government was acutely aware of two basic problems of Hong Kong. At a time of accelerated decolonisation in Asia and Africa in the early 1960s, ministers and officials could not simply avoid the delicate question of constitutional development in Hong Kong, which was partly ceded in perpetuity to the United Kingdom and partly obtained under a ninety-nine year lease. To them, China made no distinction between ceded and leased territories, and would probably agitate for the whole of Hong Kong by the time the lease of the New Territories ran out in 1997. Thus, there could be no question of Hong Kong becoming an independent member of the Commonwealth.<sup>11</sup> Even constitutional advance towards self-government was deemed impossible, for China had hinted more than once that, while accepting the *status quo*, it would "not tolerate a self-governing Hong Kong".<sup>12</sup> As self-government was by definition necessary for colonies awaiting independence, elected representation in the Legislative Council was regarded as inappropriate for Hong Kong. Hong Kong's unique circumstances and special relations with China, ironically, provided the British with a convenient excuse for blocking any demands for democracy in Hong Kong during much of the colonial period.<sup>13</sup>

The other problem was Hong Kong's defensibility. As early as the mid-1950s, the British Chiefs of Staff had concluded that Hong Kong was "undefensible" in the event of a major Chinese attack, and that the garrison there should focus on internal security rather than external defence. But in the circumstances of Hong Kong, internal security and external defence could not be completely separated, for the British garrison needed to be strong enough to deal promptly with local unrest which would otherwise lead to Chinese intervention. To maintain "internal security in its fullest sense" – helping the Hong Kong Police to uphold law and order, patrolling the frontier to "identify aggression", and evacuating British and foreign nationals in the event of war – Governor David Trench argued in the mid-1960s that the British permanent garrison should consist of six and two-third

<sup>9</sup>Q. Cui, *Wò suǒ qīnlì de ZhōngSū dàlúnzhān* [My Experience of the Sino-Soviet Great Polemics] (Beijing, 2009), pp. 145–148.

<sup>10</sup>See Note on "Status of Hong Kong – Chinese Attitude", in Wallace to Poynton, 2 December 1963, CO 1030/1674; Higham to Trench, 24 August 1964, FO 371/175888, TNA.

<sup>11</sup>Cabinet Memorandum, Report of officials' committee, C(60)35, 24 Feb. 1960, in *British Documents on the End of Empire* (hereafter *BDEE*), series A, vol. iv: *The Conservative government and the end of empire, 1957–1964*, pt. 1, (eds.) R. Hyam and W. R. Louis (London, 2000), pp. 87–107; Annex to report, "Forecast of Constitutional Development in Remaining Dependent Territories", 24 April 1962, in *BDEE*, vol. iv, pt. 2, pp. 672–688.

<sup>12</sup>Wallace to Poynton, 2 December 1963, CO 1030/1674; Note on "Status of Hong Kong – Chinese Attitude", *ibid.*, TNA.

<sup>13</sup>S. Pepper, *Keeping Democracy at Bay: Hong Kong and the Challenge of Chinese Political Reform* (Lanham, MD, 2008), pp. 139, 144–145.

major units, provided that adequate reinforcements were available at Singapore or Malaysia.<sup>14</sup> But by that time, the Labour government under Harold Wilson was undertaking reviews of Britain's defence commitments east of Suez in order to find savings for the declining economy. Although London ruled out a withdrawal from Hong Kong, it wanted a higher annual defence contribution by the colonial authorities (from £2.5 million to £10–11 million out of a total defence cost of £15 million).<sup>15</sup> The result was long and complex negotiations between Whitehall and Hong Kong (particularly the unofficial members of the Executive and Legislative Councils, which advised the Governor) during 1966. Eventually, London persuaded Hong Kong to accept a contribution of £5 million annually for four years beginning in 1967/8 (together with £600,000 for capital works), and, in return, agreed to surrender surplus land held by the Services to the Hong Kong authorities without the latter's having to incur the expense of re-providing the facilities elsewhere.<sup>16</sup> Nevertheless, the bargaining and eventual agreement about defence contribution had left a legacy of resentment towards the United Kingdom among a large section of the Hong Kong public. With Hong Kong's constitutional "awkwardness" and indefensibility in its mind, the British government was confronted with the outbreak of leftist riots in May 1967.

## II

The 1967 riots were triggered by an industrial dispute at a plastic flower factory. Inspired by the Cultural Revolution on the mainland, on 16 May the local left wing set up a "Committee of All Circles for the Struggle against Persecution by the British Authorities in Hong Kong": they turned the labour dispute into what would be an eight-month long, territory-wide anti-colonial struggle, characterised by demonstrations, strikes, border clashes and random bombs. At first, the Hong Kong government adopted firm but non-provocative measures to restore law and order. But as the riots escalated into border skirmishes at Shau Tau Kok in early July, the colonial authorities hardened their response, for example by conducting more raids against suspected communist premises and handing over border patrols to the Gurkhas. The British government, moreover, reinforced Hong Kong with a battalion from Singapore, increasing the garrison's size to seven and two-third major units. To counter persistent inflammatory propaganda, in July–August the Hong Kong government took on the directors and news workers of the local New China News Agency and other left-wing press organisations.<sup>17</sup>

The Hong Kong riots presented the (competing) Chinese leaders with a dilemma between promoting Mao's world revolution and upholding Hong Kong's *status quo*. On the one hand,

<sup>14</sup>Memorandum by Chief of Staff (hereafter COS) Committee, 29(54)1, 15 April 1954, CAB 128/27; Defence Committee (57)2<sup>nd</sup> meeting, 27 February 1957, CAB 131/18; COS to Chief of Defence Staff, COS 1546/8/4/65, 8 April 1965, DEFE 11/537, TNA.

<sup>15</sup>OPD (66)33<sup>rd</sup> meeting, 22 July 1966, DEFE 11/537, TNA.

<sup>16</sup>Galsworthy to Cass, 8 September 1966, DEFE 13/534; Memorandum by Lee, 19 July 1966, DEFE 11/537; Memorandum by Lee for OPD, OPD (66)133, 15 Dec. 1966, CAB 148/29; Carter to Hall/Godden, 12 May 1967, FCO 40/137, TNA.

<sup>17</sup>On the British handling of the 1967 riots, see Cheung, *Hong Kong's Watershed*; Bickers and Yep (eds.), *May Days in Hong Kong*.

Beijing rendered support to the Hong Kong left wing in three main ways: lodging diplomatic protests with the British government, harassing the British diplomats on the mainland, and launching propaganda attacks on Hong Kong/Britain in the *People's Daily*. On 15 May, the Chinese Foreign Ministry issued five-point demands, calling for the colonial authorities to stop the arrest and trial of the demonstrators, release the arrested persons unconditionally, and apologise and compensate for the victims. On Zhou Enlai's instructions, a Hong Kong-Macao Office headed by Vice Minister Luo Guibo was set up within the West European Department of the Foreign Ministry to direct the anti-colonial struggle in Hong Kong.<sup>18</sup> On the other hand, both Zhou and Mao opposed a military takeover of Hong Kong in 1967, its retrocession being a long-term task. To Zhou, who had been performing the delicate task of both supporting and restraining the Cultural Revolution at home, the Hong Kong struggle should be "reasonable, beneficial and restraint", not imitating the "ultra-leftist" methods in China.<sup>19</sup> The result was contradictory policies and mixed signals to the Hong Kong Maoists and the British colonialists alike.

From the outset, British officials in Hong Kong and diplomats in Beijing struggled to find out China's possible role in the riots. In the first two months or so, the British assessments generally suggested that the disturbances were not premeditated by Beijing, and there were no signs of a Chinese military attack on Hong Kong. After all, China's export earnings from Hong Kong in 1966 were estimated to be £173 million, or a third of its total, on top of large amounts of Overseas Chinese remittances via Hong Kong.<sup>20</sup> Nevertheless, given the unpredictability of Cultural Revolutionary China and the prolongation of the Hong Kong riots, an air of gloom gradually descended over London.

On 14 July, a Committee on Hong Kong, consisting of the Defence and Commonwealth Secretaries, the Minister of State at the Foreign Office, the President of the Board of Trade, the Chief Secretary of the Treasury, and the Minister without Portfolio, was set up "to keep the present situation in Hong Kong under review and to report to the cabinet as necessary".<sup>21</sup> Ten days later, the Committee discussed an interim inter-departmental report on "the prospects for withdrawal from Hong Kong if it were suddenly to become necessary". Although "the Chinese government were reacting to local initiatives rather than instigating them", Commonwealth Secretary Herbert Bowden argued, the report suggested that "there was always a risk of rapid escalation of incidents producing a situation in which the Chinese government took a decision to expel us". Added to this was "a danger that the disturbances would lead to a decline in Hong Kong's economy and to loss of confidence". In view of this, the Committee decided to undertake a study of the feasibility of an emergency evacuation from Hong Kong "since there was at present no possibility that we could negotiate Chinese acquiescence in an orderly withdrawal, nor could we accept a situation analogous to that in Macao in which, while retaining sovereignty, we surrendered effective control to the

<sup>18</sup>J. Ma, *Waijiaobu Wenhua Dageming jishi* [The Cultural Revolution in the Foreign Ministry of China] (Hong Kong, 2004), pp. 155–163.

<sup>19</sup>P. Li (et al.), *Zhou Enlai nianpu, 1949–1976* [The Chronicle of Zhou Enlai, 1949–1976], Vol. 3 (Beijing, 1997), pp. 155, 169.

<sup>20</sup>See, for example, Hopson to Brown, no. 12S, 6 June, reprinted as FC 1/6, 12 June 1967, FCO 21/204; "The Present Situation in China", Paper by Far Eastern Department, enclosed in Memorandum, Bolland to de la Mare, 8 June 1967, FCO 21/11, TNA.

<sup>21</sup>Note by Secretary of MCHK, K(67)1, 14 July 1967, CAB 134/2945, TNA.

communists". Given the political sensitivity of an evacuation, which might involve as many as 200,000 persons, there should be "no local consultations" except for "personal discussions" with the Hong Kong Governor and the local British Commander.

More importantly, the Committee decided that a study of long-term policy towards Hong Kong "should proceed as rapidly as possible". Although Hong Kong had long been regarded as "indefensible against Chinese military attack", ministers worried that "our acceptance of military defeat would have a disproportionate political effect on our influence in the whole of South East Asia and on the position of our friends and allies". Thus, the long-term study "should include [the] means by which we might influence the Chinese Government to adopt reasonable policies towards Hong Kong against the background that we could not expect to remain in Hong Kong on present terms until the lease of the New Territories lapsed in 1997".<sup>22</sup>

The dramatic deterioration of Sino-British relations in late August cast a shadow over Hong Kong. In response to the British rejection of the Chinese "ultimatum" about releasing Hong Kong left-wing journalists and suspending legal action against the three "fringe" communist newspapers, on the late night of 22 August the radical Red Guards attacked and burnt to the ground the British Chargé Office in Beijing. Although the Foreign Office did not regard the latest Red Guard outrages as "adding to the threat to the Colony", and the Commonwealth Office held that the local security situation was "under firm control" by September (albeit with increasing incidents of random bombs, both genuine and fake), the inter-departmental working party of officials continued to study the feasibility of preparing contingency plans for an emergency evacuation from Hong Kong.<sup>23</sup>

Concerns about Hong Kong's future were not confined to the highest level of the British government. International confidence in the local economy was shaken by the rioting, at least temporarily. In May and June, there was a capital flight, especially through the free market in US dollars, from Hong Kong to safer havens.<sup>24</sup> Hong Kong's tourism, the second largest industry after manufacturing, was affected too. In September (through to December), the number of American tourists, the largest national group of Hong Kong visitors, fell below that in 1966, while the visits of the undeterred became shorter.<sup>25</sup> There was much speculation about Hong Kong's future in the local press, which largely reflected the political orientation of each individual publication. Naturally, the left-wing newspapers such as *Ta Kung Pao*, *Wen Wei Po*, and *New Evening Post* aggressively proclaimed that the days of the Crown Colony were numbered as China had pledged to support the left-wing struggle against "British imperialism" and "fascist atrocities".<sup>26</sup> Taking a more optimistic stance the centrist and rightist newspapers were generally supportive of the Hong Kong government's

<sup>22</sup>Interim Report for MCHK, K(67)2, 21 July 1967, CAB 134/2945; Minutes of MCHK, K(67)1<sup>st</sup> meeting, 24 July 1967, *ibid.*, TNA.

<sup>23</sup>Memorandum, Thomas to Wilson, 23 August 1967, PREM 13/1458; CC(67)54, 7 September 1967, CAB 128/42, TNA.

<sup>24</sup>See C. R. Schenk, "The Empire Strikes Back: Hong Kong and the Decline of Sterling in the 1960s", *Economic History Review*, 57: 3 (2004), pp. 561–570.

<sup>25</sup>*Hong Kong Tourist Association Annual Report 1967/8* (Hong Kong, 1968), p. 21; *The New York Times*, 10 September 1967.

<sup>26</sup>For a survey of the Hong Kong press coverage of the 1967 riots, see A. Y. L. Lee, "The Role of Newspapers in the 1967 Riot: A Case Study of the Partisanship of the Hong Kong Press", in *Press and Politics in Hong Kong: Case Studies from 1967 to 1997*, (ed.) C. Y. K. So and J. M. Chan (Hong Kong, 1999), pp. 33–63.

hardline measures against the rioters. The pro-establishment *South China Morning Post* and *Ming Pao Daily News* believed that China would leave Hong Kong, which provided a third of its foreign exchange earnings, alone. *Sing Tao Jih Pao Daily*, drawing on sources from Taiwan, argued that fear of American intervention deterred Beijing from seizing Hong Kong.<sup>27</sup>

The international press gave detailed coverage of 1967 Hong Kong, too. As the disturbances wore on, some of the reports, as British colonial officials saw it, became increasingly exaggerated and alarmist in tone, thus adversely affecting Hong Kong's image abroad (particularly in the United States as manifested in a drop in outbound tourists to Hong Kong).<sup>28</sup> Following the border clashes in July, newspapers like Singapore's *The Straits Times* and Japan's *Mainichi Shimbun* pessimistically contended that the British would have no choice but to "kowtow" to the Chinese Communists, who proved themselves not to be "paper tigers" over Hong Kong.<sup>29</sup> In a report entitled "Hong Kong: The Tactic is Violence" on 16 July, the *New York Times* predicted that "[t]he prospects are that the struggle will go on for months. Business will suffer", although it added that "the community is showing a resilience that should enable it to withstand whatever the local Communists devise".<sup>30</sup>

The US administration felt uneasy about the situation in Hong Kong. Since the 1950s, American interests in Hong Kong covered economic (trade, tourism and investment), military ("rest and recreation" visits), intelligence (China watching), and humanitarian (refugee relief) aspects. By 1967 US policy regarding Hong Kong was predicated on the assumptions that China saw the British Colony as economically valuable; that Britain was unlikely to make a major effort to defend Hong Kong against a direct Chinese military attack; and that the United States had no firm commitment to defend Hong Kong, nor did it expect Britain to ask for military support.<sup>31</sup> In mid-July, Alfred Jenkins, a China specialist on the National Security Council Staff, wrote of Hong Kong's prospects: "Peking has been indecisive and ambivalent in its reaction to Hong Kong developments, doubtless, reflecting policy differences among the leadership . . . Given Peking's curious mood, the future is simply unpredictable". "The best guess", Jenkins nonetheless believed, "is for continuing disturbances which will likely cause Hong Kong to shrivel, at first slowly . . . If shriveling continues for a while it can be expected to accelerate steeply as soon as appreciable flight of capital and people becomes evident".<sup>32</sup> An intelligence report by the Central Intelligence Agency on 25 August, after the Red Guards' sacking of the British Mission, similarly noted that "the long term outlook for the colony is uncertain at best. Business confidence has been

<sup>27</sup> *The South China Morning Post*, 11 and 19 June 1967; *Ming Pao Daily News*, 18 and 19 May 1967; *Sing Tao Jih Pao Daily*, 14 July 1967.

<sup>28</sup> *Hong Kong Tourist Association Annual Report 1967/8*, p. 11; *Hong Kong Report for the Year 1967* (Hong Kong, 1968), p. 162.

<sup>29</sup> Foreign newspapers' views were summarised in *Ching Pao*, 12 July 1967. Also see *Tin Tin Daily News*, 23 July 1967 and *Ta Kung Pao*, 20 July 1967.

<sup>30</sup> *The New York Times*, 16 July 1967. Also see 9 July and 19 July 1967.

<sup>31</sup> State Department to Hong Kong, no. 197313, 18 May 1967, RG 59, Central Foreign Policy Files, 1967–1969, Political and Defense, Box 2176, United States National Archives (hereafter USNA), College Park, Maryland, USA.

<sup>32</sup> Memorandum, Jenkins to Rostow, 21 July 1967, Papers of Lyndon Baines Johnson, President, 1963–1969, National Security File, Country File, China Vol. X, Box 241, Lyndon Baines Johnson Presidential Library, Austin, Texas, USA.



shaken and capital is beginning to flow out from the colony”.<sup>33</sup> The Department of State assessed in mid-September that the continuing instability on the mainland posed a “potential threat” to the British Colony, while other factors such as China’s lack of significant material support for the local Maoists gave Hong Kong a “measure of protection” – on balance, the situation justified a “cautious optimism” about Hong Kong’s future.<sup>34</sup> Based on these assessments, the United States devised and updated contingency plans for possible evacuation of American nationals in Hong Kong. But there was no joint planning with the British, who were themselves reluctant to coordinate with the Americans for security reasons.<sup>35</sup>

By December the colonial authorities saw off the political challenge of the local Maoists, whose urban terrorism had alienated most of the Hong Kong residents. In London, ministers decided that all evacuation planning should be suspended for the time being. Indeed, logistical problems, like the need for absolute secrecy and the shortage of troops in Hong Kong, prohibited any detailed planning. In the event of renewed tension, only outline plans should be made for “a ‘crash’ operation . . . to evacuate as many vulnerable and sensitive persons as we can”.<sup>36</sup> Nevertheless, it was agreed that the study on the British tenure of Hong Kong in the long term should continue. The Cabinet Office took responsibility for the study, to be conducted by a small group of the Defence Review Working Party consisting of officials from the Foreign Office and the Commonwealth Office (and to a lesser extent other departments).

In formulating the long-term study during 1968, the Defence Review Working Party consulted the views of the Hong Kong Governor and the British diplomats in Beijing. Drafts were produced and circulated, and subsequently revised.<sup>37</sup> Not until 28 March 1969 was the final version of the study completed. An inter-departmentally-agreed study with a covering note by the Secretary of State for Foreign and Commonwealth Affairs (K(69)1), it provided a comprehensive account of British interests and responsibilities in Hong Kong, China’s attitude and intentions, American interests and involvement, and above all the prospects of Hong Kong’s status and the options open to the United Kingdom, which included voluntary withdrawal, negotiated withdrawal, and China’s military take-over. The main recommendation was that “Hong Kong’s future must eventually lie in China,” and that “our objective must be to attempt to negotiate its return, at a favourable opportunity, on the best terms obtainable for its people and for our material interests there”.

It was in the United Kingdom’s interests to remain in Hong Kong, where it had accumulated “large sterling balances” in the order of £350 million, and maintained “a considerable trade” and “a sizeable investment”. There were no other costs involved in maintaining Hong Kong other than the net annual expenditure of £15 million (estimated to increase to £20 million after 1971) on the British garrison. Nonetheless, the United Kingdom could not defend Hong Kong and found evacuation “a very difficult, if not

<sup>33</sup>Intelligence Memorandum by Central Intelligence Agency (CIA) Directorate of Intelligence, ‘The Outlook for Hong Kong’, 25 August 1967, CIA, Freedom of Information Act, Electronic Reading Room, <http://www.foia.cia.gov>.

<sup>34</sup>Hong Kong to State Department, no. 1763, 20 September 1967, RG 59, Central Foreign Policy Files, 1967–1969, Political and Defense, Box 2176, USNA.

<sup>35</sup>Mark, “Lack of Means or Loss of Will?”, pp. 67–68.

<sup>36</sup>Memorandum by Thomson for DOPC, OPD (67)85, 4 Dec. 1967, FCO 40/92, TNA.

<sup>37</sup>Memorandum, Moreton to Lawrence-Wilson, 29 November 1968, FCO 40/158, TNA.

impracticable operation”, and it would “have virtually no means of bringing pressure to bear upon the Chinese to change whatever course of action they decide on”.

Hong Kong in British hands was “of considerable economic value to China” – a major source of foreign exchange earnings (an estimated £200–210 million in 1966) and of exports (with a large surplus on visible trade of £170 million in 1966). But under Chinese rule, Hong Kong would be “almost valueless”. It was the general principle of the Chinese Communists that “the whole of Hong Kong (both ceded and leased areas)” was regarded as “Chinese territory to be recovered”. Even “if they allowed the lease of the New Territories to run its full term”, Britain “could not expect to re-negotiate it in 1997”. For the time being, the Chinese were “prepared to accept the continuing existence of the Colony” due to its “economic and political advantages”; their “immediate aims” were to “maximise their commercial interests in the Colony and to concentrate on broadening the base of their support among the people” by “persuasion, propaganda, [and] intimidation” rather than violent means.

The study recognised that as 1997 approached, “confidence will inevitably drain away with adverse political and economic effects making it increasingly difficult for us to maintain our position”. Although Hong Kong’s future was “likely to become an issue in the 1980s,” “in present circumstances we need not – indeed, we cannot – contemplate action to this end”. As for possible options, Britain should regard a unilateral decision to withdraw from Hong Kong as a “last resort”, since this “would invite severe harassment by the Chinese who would not acquiesce in our withdrawal at our speed and in our own way”. The course best suited to British interests would be “an informal and disavowable approach to the Chinese when the time is ripe aimed at reaching a tacit understanding about an eventual withdrawal at a suitable agreed date”. On the timing of an approach, Britain should make it “as soon as there emerges in China a regime with which we might do business and before the Hong Kong economy starts to run down as it well may in the 1980s”. In the meantime, the British “should show firmly that we intend to maintain our position there, giving no indication that we contemplate withdrawal”.<sup>38</sup>

In a word, the tone and conclusions of the long-term study were pessimistic. As Lord Shepherd, Minister of State for Foreign and Commonwealth Affairs and a member of the Hong Kong Ministerial Committee, commented: “This paper makes some sombre reading. We have to accept the fact that China could take Hong Kong at any time of her choosing either as a result of a direct military attack or by making our position in the colony untenable through organised internal uprisings. Therefore our aim should be to gain time in the hope that circumstances may be such in the future that agreement with China over the return of Hong Kong might become a possibility”.<sup>39</sup>

For a variety of reasons connected with the movements of Lord Shepherd and Foreign Secretary Michael Stewart, the Hong Kong Committee could not convene to discuss the inter-departmental study (K(69)1) for the rest of 1969.<sup>40</sup> Instead, it was agreed that the

<sup>38</sup>See Memorandum by Stewart for MCHK, K(69)1, “Hong Kong: Long Term Study”, 28 March 1969, CAB 134/2945, TNA.

<sup>39</sup>Godden to Moreton, 22 April 1969, FCO 40/160, TNA.

<sup>40</sup>Memorandum, Moreton to Barrington, 7 May 1969, FCO 40/160; Memorandum, Carter to Wilford, 22 September 1969, *ibid.*, TNA.

Foreign and Commonwealth Office (FCO) should prepare a fresh paper under the Foreign Secretary's name for the Committee, which would consider the original study at the same time.<sup>41</sup> Completed on 9 February 1970, the FCO paper recognised the stark reality that "Hong Kong is a special case in the political evolution of our colonial territories. We cannot attempt to bring it to any form of independent status, since this would be quite unacceptable to the Chinese. We must recognise that it will eventually be returned to China, and that the circumstances of the return are almost bound to be painful, both to the inhabitants of the colony and to ourselves". It basically confirmed the conclusions of the inter-departmental study that if an approach was made now, quite apart from "an immediate loss of confidence within the colony", there was "no prospect of our reaching agreement about the future of Hong Kong with the present Chinese Government". If a "more pragmatic government" emerged in China, Britain "should consider the possibility of negotiating with them new arrangements for Hong Kong", but it "would be premature to attempt now a detailed assessment of the possibilities". The British government should review the issue at regular intervals in consultation with the Hong Kong Governor.<sup>42</sup>

The Ministerial Committee on Hong Kong was unable to convene to formally endorse either or both of the two studies before the General Election in June. After consultation with the Cabinet Office and his FCO colleagues, K.M. Wilford, Assistant Under-Secretary of State responsible inter alia for the Hong Kong and Far East Departments, produced another paper on 9 December. Wilford's paper reflected a slight change in the British "official mind" regarding Hong Kong's future. Whereas the original study (K(69)1), commissioned in the aftermath of the 1967 riots, carried the burden of "how we could decently get out of Hong Kong", Wilford's paid more attention to the idea that "we should, if possible, maintain our presence in Hong Kong, even post 1997, if this is at all possible". It suggested three options open to Britain: "do nothing" (on the assumption of either China's acquiescence to the *status quo* beyond 1997 or Britain's lack of feasible choice); prepare for "a voluntary and negotiated withdrawal from the whole colony as soon as this can be arranged" (which, however, was likely to be opposed by the existing and possibly future Chinese governments); and "negotiate with the Chinese at the earliest possible moment" with a view to either "organising an orderly British withdrawal in 1997" or "maintaining the Crown Colony post-1997 on the assumption that the Chinese might permit the retention of the New Territories under the present lease or on newly negotiated terms". Wilford's preferred option was to enter into negotiation with the Chinese Government at the appropriate moment about the extension of Hong Kong's colonial status beyond 1997, or failing that, an orderly withdrawal that year.<sup>43</sup>

As Head of the FCO Planning Staff (1969–71), Percy Cradock wondered whether the choice of "doing nothing" or "negotiating" was "not a little too stark". In mid-December, he proposed instead "informal soundings (perhaps disavowable) on how the Chinese

<sup>41</sup>Memorandum, Wilford to Tomlinson, 18 November 1969, FCO 40/160; Memorandum, Wilford to Permanent Under-Secretary, 22 January 1970, FCO 40/265, TNA.

<sup>42</sup>Memorandum by Stewart for MCHK, K(70)1, "Hong Kong: Long-term Study", 9 February 1970, CAB 134/2945, TNA.

<sup>43</sup>Memorandum, Wilford to Monson, with Annex: draft paper for ministers, 9 December 1970, FCO 40/265, TNA.

Government see the future of Hong Kong”, which he believed would “only be possible when there was a suitable Chinese Government and a suitable climate in Anglo-Chinese relations”. With his first-hand experience of negotiating with the Chinese Communists (while serving as Counsellor and Head of Chancery in 1966–8), Cradock thought that Wilford had underestimated the difficulties for a “highly nationalist and revolutionary Government” to enter into “any kind of explicit, contractual, Western-style agreement”, while realistically estimating that the best Britain could get might be “an orderly and clean withdrawal in 1997”.<sup>44</sup>

### III

By the end of 1970 the FCO was prepared to discuss with China, either formally or informally, Hong Kong’s future at the appropriate moment, probably after the emergence of a post-Maoist government. This was predicated on the assumption that the British sovereign was no longer in a position to determine the Crown Colony’s fate. Why did British ministers and officials still harbour pessimistic thoughts despite the fact that the 1967 riots ended almost three years before and the expiry of the New Territories lease was still nearly thirty years away? In essence, the state of mind in Whitehall not only emerged out of the events in 1967 but also developed against a background of changing United Kingdom–Hong Kong relations since the 1950s. As a brief by the Hong Kong Department of the FCO about the long-term study on Hong Kong written in May 1970 demonstrates:

“For some years now there has been a growing feeling in Hong Kong that Britain regards the Colony as a nuisance and an impediment. We left Hong Kong to grapple alone (without significant financial assistance) in the post-war years with the tremendous problems posed by the influx of refugees from China. At the same time we are seen as having dealt the Colony a series of blows to its trade and finances . . . Our action are seen as showing a lack of concern for Hong Kong’s interests and for her special problems; as indicating an indifference to the special ties and relationship which should subsist between a Colony and the responsible power”.<sup>45</sup>

True, after 1945, Hong Kong received no significant financial assistance from the home government in dealing with the massive problem of Chinese refugees, which by 1957 numbered over 700,000 and placed considerable strains on housing, social welfare, education, and other services. That year, during the discussions about the extension of the United Nations High Commissioner for Refugees mandate to Hong Kong, the United Kingdom was reluctant to make a financial contribution and even to lobby other member states for assistance, prompting the then Governor, Alexander Grantham, to express publicly his frustration about the home government.<sup>46</sup> Furthermore, trade became a major bone of contention between Britain and Hong Kong from the mid-1950s onwards. In 1959 the Conservative government seemingly bowed to the protectionist lobbying of the cotton textile industry in Lancashire (where a number of marginal Parliamentary seats were

<sup>44</sup>Memorandum, Cradock to Wilford, 15 December 1970, FCO 40/265, TNA.

<sup>45</sup>Brief by Hong Kong Department for Secretary of State, 5 May 1970, FCO 40/265, TNA.

<sup>46</sup>C-K. Mark, “The ‘Problem of People’: British Colonials, Cold War Powers, and the Chinese Refugees in Hong Kong, 1949–62”, *Modern Asian Studies*, 41: 6 (November 2007), pp. 1166–1170.

located) by encouraging the Lancashire industrialists to negotiate with their Hong Kong counterparts “voluntary restrictions” over the influx of the Colony’s (cheap) textiles and garments to the United Kingdom – thus the Lancashire Agreement, which lasted for three years and was renewed in 1962.<sup>47</sup> Besides, Hong Kong was under intense pressure from its foreign competitors, especially the United States, to conclude government-to-government agreements on textile restrictions within the framework of the General Agreement on Tariffs and Trade (GATT). Given that a dependent territory assumed the rights and obligations of GATT through its sovereign power, the United Kingdom signed two agreements on behalf of Hong Kong (and Hong Kong trade officials as part of the British delegation negotiated the specific terms) – the 1961 Short-Term Arrangement Regarding International Trade in Cotton Textiles and the 1962 Long-Term Arrangement, which lasted until 1967 (and would be extended twice until 1973.) As a result, Hong Kong’s textile exports were subject to various degrees of restraint under terms agreed bilaterally with the United States, West Germany, and other European countries.<sup>48</sup>

On the other hand, there had been a weakening of the United Kingdom’s control over Hong Kong since 1945, so much so that the Colony had indeed experienced “auto-decolonization”, “informal devolution” or “administrative independence”.<sup>49</sup> Geographical remoteness, lack of Parliamentary interest, shrinking resources within Whitehall, and the healthy financial position of Hong Kong were all contributing factors.<sup>50</sup> The Governor was able to resist the demands from London for constitutional reform and expansion of social welfare such as housing and labourer’s working hours.<sup>51</sup> More significantly, since 1958 Hong Kong enjoyed full financial autonomy from London.<sup>52</sup> Even after the Wilson government’s devaluation of sterling by 14.3 per cent in November 1967 had dealt a blow to Hong Kong’s finances – a loss of £56 million sterling reserves for both the government and private banks and the devaluation of the Hong Kong dollar by the same amount against the US dollar – Hong Kong was able to “strike back”, thanks to its huge sterling reserves of around £400 million.<sup>53</sup> Within days of the devaluation, the colonial government revalued by 10 per cent the Hong Kong dollar against the pound. Moreover, the United Kingdom came under pressure from the unofficial members of both Executive and Legislative Councils, as well as the banking elites, to diversify Hong Kong’s sterling reserves and was thus compelled to offer guarantees against future devaluations. In September 1968, it undertook to maintain the value, in terms of US dollars, of 90 per cent of Hong Kong’s total reserves provided

<sup>47</sup> Lawrence Mills, *Protecting Free Trade: The Hong Kong Paradox, 1947–97* (Hong Kong, 2012), p. 41.

<sup>48</sup> Mills, *Protecting Free Trade*, pp. 61–64; D. Q. Lu and S. C. Lu, *Xianggang jingji shi [A History of Hong Kong Economy]* (Hong Kong, 2002), pp. 218–219.

<sup>49</sup> F. Welsh, *History of Hong Kong* (London, 1997), p. 460; L. Goodstadt, *Uneasy Partners: The Conflict between Public Interest and Private Profit in Hong Kong* (Hong Kong, 2005), p. 55; D. Faure, *Colonialism and the Hong Kong Mentality* (Hong Kong, 2003), p. 73.

<sup>50</sup> For an insightful analysis of Hong Kong’s growing autonomy from London since 1945, see Goodstadt, *Uneasy Partners*, pp. 49–70.

<sup>51</sup> See S. Y-S. Tsang, *Democracy Shelved: Great Britain, China, and Attempts at Constitutional Reform in Hong Kong, 1945–52* (Hong Kong, 1988); Faure, *Colonialism and the Hong Kong Mentality*; D. Clayton, “From ‘Free’ to ‘Fair’ Trade: The Evolution of Labour Laws in Colonial Hong Kong, 1958–62”, *The Journal of Imperial and Commonwealth History*, 35: 2 (June 2007), pp. 263–282.

<sup>52</sup> Welsh, *History of Hong Kong*, p. 463; Lu and Lu, *Xianggang jingji shi*, pp. 160–1. Also see C. Schenk, *Hong Kong as an International Financial Centre: Emergence and Development, 1945–65* (London, 2001).

<sup>53</sup> Schenk, “The Empire Strikes Back”, pp. 568–569.

99 per cent of the Colony's reserves were in sterling.<sup>54</sup> In subsequent years, Hong Kong continued to bargain with London over its sterling reserves: Hong Kong's Minimum Sterling Proportion was reduced from 99 per cent to 89 per cent in September 1971, and the Hong Kong dollar was pegged to the US dollar in July 1972 following the floating of sterling by London.<sup>55</sup>

Henceforth, the pessimistic mindset of Whitehall, embodied in the assumptions and conclusions of the long-term studies on Hong Kong, was rooted in the historical background of Hong Kong's growing autonomy from London, and their conflicts over refugees, textile exports, defence contribution, sterling reserves, and so forth. Ministers and particularly civil servants in Whitehall (who drafted the studies) could not but be shaped by "institutional memory" which espoused that the United Kingdom lacked the means to dictate the affairs of Hong Kong, while the colonial and business establishment there resented what they saw as London's undue interference. As the Hong Kong Department of the FCO highlighted in July 1970, United Kingdom-Hong Kong relations "have been at a low ebb for some years . . . Hong Kong's remarkable record of economic expansion and material progress in the last decade has engendered a strong feeling in the Colony that Hong Kong knows best what is good for it and in particular for its rather unique economy". Future relations between the British and Hong Kong governments would "depend almost entirely on the extent to which the Hong Kong economy suffers as a result of [Britain] joining the enlarged Community", it argued.<sup>56</sup>

It is true that the bids for accession to the EEC made by successive British governments since the early 1960s had created question marks over the United Kingdom's economic relationship with the Crown Colony. With Britain's membership in the Common Market, it was feared that Hong Kong would lose its preferential access to the Commonwealth markets. During the failed 1961-63 negotiations, the Six had rejected the British proposal for Hong Kong's associate status within the enlarged Community under Part IV of the Treaty of Rome, on the grounds that association was not appropriate for a dependent territory with well-developed manufacturing industries. By the time of Britain's third application in 1970, the EEC's attitude was no less unfavourable. Meanwhile, the Six had reservations about giving preferential tariff treatment to Hong Kong through the UNCTAD<sup>57</sup> Generalised Preference Scheme, which admitted imports of cotton textiles duty free (up to recent levels of trade) from developing countries whose trade was already limited under quotas agreed through the Long-Term Arrangement. Above all, Hong Kong feared that the enlarged Community would formulate a Common Commercial Policy regarding quantitative restrictions on cotton textiles. (By 1970, France already maintained a considerable range of restrictions against Hong

<sup>54</sup>D. Faure and P.-T. Lee (eds.), *A Documentary History of Hong Kong: Economy* (Hong Kong, 2004), pp. 217-220; Schenk, "The Empire Strikes Back", pp. 570-577.

<sup>55</sup>C. Schenk, *The Decline of Sterling: Managing the Retreat of an International Currency, 1945-1992* (Cambridge, 2010), pp. 308, 349-351.

<sup>56</sup>Note by Hong Kong Department, FCO, 10 July 1970, enclosed in Laird to Gildea, 10 July 1970, FCO 40/284, TNA.

<sup>57</sup>United Nations Conference on Trade and Development

Kong's exports in breach of GATT, while other EEC member states, with more "liberal" trade policy such as West Germany, operated some quantitative restrictions).<sup>58</sup>

That the United Kingdom might sacrifice Hong Kong's interests in its EEC bid was felt most strongly by the unofficial members of the Executive and Legislative Councils, many of whom came from, or had close connection with, the commercial elites. In a meeting with the visiting British Foreign Secretary, Michael Stewart, in April 1970, Michael Alexander Herries of the Legislative Council asked "if there would be real consultation with Hong Kong" during Britain's negotiation with the Six (which began in late June). Stewart gave an affirmative answer, adding that "the merger of the Commonwealth and Foreign Offices [in 1968] should not reduce the opportunities for consultation". The latter comment was illustrative of the concerns in Hong Kong that the abolition of the Commonwealth Office had resulted in the subordination of "colonial interests" to diplomatic/European interests within Whitehall. Sidney Samuel Gordon of the Executive Council reminded Stewart of both the metropole's responsibilities and Hong Kong's rights: "the U.K. must speak for Hong Kong in international bodies and in GATT. But after that Hong Kong's negotiators should be allowed to negotiate for Hong Kong".<sup>59</sup>

Even the Governor took pains to raise with Whitehall the possible effects of Britain's entry into the EEC on "the constitutional position of Hong Kong". In a meeting with visiting British officials on 23 November, Trench enquired whether, after entering the Community, Britain would find itself "forced to accept something which involved her giving instructions to the Hong Kong Government which were against the latter's interests" (since the Community might not accept the existing "conventions" that "limited, in practise [sic], such use of the UK's sovereign powers in relation to Hong Kong"). He asked bluntly if there was "a danger of Hong Kong ceasing to be a British Colony and becoming instead a Colony of the Community" out of the concern that "the Six might wish Hong Kong to take action which would be offensive to China". Sir Con O'Neill reassured the Governor that his worries were unlikely and that the British government was well aware of the problems posed by the EEC to Hong Kong.<sup>60</sup> Although Trench's unease about a weakening of constitutional ties might have been off the mark, it was not untrue that British politicians were contemplating a new relationship between the United Kingdom and Hong Kong in a rapidly changing world. With Britain's impending withdrawal from East of Suez by the end of 1971 and the new Conservative government's determination to join the EEC, the Crown Colony became an increasingly embarrassing political anachronism. To the perceptions of Edward Heath, Prime Minister from June 1970, Europe and China were both crucial to Britain's future in an emerging multi-polar world.<sup>61</sup> In early 1971, Britain and China entered into negotiations over the establishment of full diplomatic relations. When necessary, the

<sup>58</sup>Note by Board of Trade, August 1970, enclosed in Note by the Secretary, Working Group on Europe, WGE(70)37, 26 August 1970, FCO 40/285, TNA.

<sup>59</sup>Record of meeting between Foreign and Commonwealth Secretary and members of the Executive and Legislative Councils, 19 April 1970, FCO 40/284, TNA.

<sup>60</sup>Record of Consultations with Hong Kong officials, 2<sup>nd</sup> session, 23 November 1970, FCO 40/286, TNA.

<sup>61</sup>E. Heath, *The Course of My Life: My Autobiography* (London, 1999), p. 468.

colonial well-being of Hong Kong had to take a back seat to Anglo-Chinese normalisation and European integration.<sup>62</sup>

#### IV

If the British “official mind” was preoccupied with Hong Kong’s future, what about the attitude of Hong Kong elites and ordinary people towards colonial rule? After the abortive attempts at constitutional reform in the early post-war years, a number of political groups kept on agitating for political change – from those moderate groups like the Reform Club and the Hong Kong Civic Association, which demanded an elected majority in the Urban Council and the introduction of a few elected seats in the Legislative Council, to the more “radical” groups such as the United Nations Association and the Democratic Self-Government Party, which wanted complete democratic self-government.<sup>63</sup> In the 1960s, elected members of the Urban Council demanded greater power and democratic representation in the Council, prompting Governor Trench to agree, in early 1966, to reopen the question of local government in Hong Kong. As a result, in November a working party of officials under the chairmanship of W. V. Dickinson produced a report (or the “Dickinson report”), proposing three district councils responsible for municipal affairs, all with a majority of elected seats.<sup>64</sup>

The fact that the Dickinson report was not released until February 1967 spoke volumes at the colonial administration’s continued reservations about local democracy. As usual, the familiar argument was invoked to dash hopes of political reform. As the Minister of State in the Commonwealth Office responsible for Hong Kong affairs, Judith Hart, explained to the House of Commons on 27 February: “Hong Kong is in a completely different position from any other of our Colonies. For international reasons alone, there are problems in planning for the usual orderly progress towards self-government. Because of Hong Kong’s particular relationship with China, it would not be possible to think of the normal self-government and not possible, therefore, to consider an elected Legislative Council”. “However, in local government”, Hart added, “some progress can, should and will be made”.<sup>65</sup> With the outbreak of anti-colonial riots in May, any proposed changes to local government were halted.

In the early 1970s, a new generation of locally-born Hong Kong Chinese, primarily college students, became interested in social issues and came to question the nature of colonial rule.<sup>66</sup> The political awakening of college students was publicly manifested in the “Chinese

<sup>62</sup>When Britain eventually reached an agreement on entry into the Common market in 1973, “the EEC recognised Hong Kong’s developing territory status, granted it [General Scheme of Preferences] on a number of products that were of no value, continued the exclusion of textiles, while France graciously withdrew two illegal restrictions on imports from Hong Kong . . . And that was the deal that the metropolitan power with international responsibility for its dependent territory did with the common market to settle ‘the question of Hong Kong’”. Fortunately, Hong Kong’s resilient industry survived the loss of the Commonwealth Preference, for Hong Kong was becoming less dependent on the United Kingdom than on the United States and European and Asian countries; although Britain remained a significant market. Mills, *Protecting Free Trade*, pp. 149–150.

<sup>63</sup>See Pepper, *Keeping Democracy at Bay*, pp. 128–137.

<sup>64</sup>N. Miners, *The Government and Politics of Hong Kong*, 2<sup>nd</sup> edition (Hong Kong, 1977), pp. 192–193.

<sup>65</sup>Parliamentary Debates, House of Commons Debates, *Hansard*, 5<sup>th</sup> series, Session 1966–67, vol. 742: 27 February–10 March 1967, cols. 51–60 [quotation on col. 58].

<sup>66</sup>See the contributions by the students of the Chinese University of Hong Kong and of the Hong Kong University to the official magazine of its Student Union, *CU Student (Zhongda Xueshengbao)* and *Undergrad*



movement”, which campaigned for the recognition of Chinese as an official language in an English-dominated colonial entity; the “defend Diaoyutai” (*baodiao*) movement, in which students and patriotic Chinese demonstrated their support for China’s claim to the disputed Diaoyutai or Senkaku Islands that fell under American jurisdiction after 1945 and were claimed also by Japan; and the phenomenon of “getting to know China” among the radical youth, who were anxious to visit and learn about Mainland China in order to foster their “Chinese identity”.<sup>67</sup>

Notwithstanding the political activism of longstanding political groups, elected urban councillors, and pro-China college students, the majority of the Hong Kong people appeared to be content with the colonial *status quo* in the early 1970s. It may be attributed partly to the “refugee mentality” (avoiding politics) of the older generation and partly to the “market mentality” (making money) of the postwar baby-boomers.<sup>68</sup> The colonial authorities contributed to a “culture of de-politicisation” by “administrative absorption of politics”, which meant co-opting Chinese elites to an extended network of advisory bodies. Especially after the 1966 and 1967 riots, it endeavoured to foster a sense of local belonging among the Hong Kong Chinese by improving administrative efficiency (for example, through the City District Officer scheme) and providing more public goods (such as free primary education and “new towns” in the New Territories).<sup>69</sup> On 13 October 1971, Trench, who was about to end his governorship, published the White Paper on the Urban Council, dismissing the whole idea of elected local authorities with executive powers as administratively inefficient (on the grounds of the availability of other advisory bodies) and politically unnecessary (due to the alleged lack of public interest).<sup>70</sup> Hong Kong’s colonial polity was to remain unreformed for another decade.

China’s opening to the West prompted intense speculation about Hong Kong’s future in the local press. In July 1971, following the secret visit to Beijing of his national security advisor, US President Richard Nixon publicly announced that he had accepted an invitation to visit the People’s Republic the following year; and in October, China was voted into the United Nations by an overwhelming majority. Despite the fear in some commercial circles that after Sino-American normalisation, Beijing would bypass Hong Kong as an *entrepot* for international trade (and, worse still, reclaim the Colony whose economic value to China was diminishing), the *South China Morning Post* editorial wrote in September 1971 that “it could take China many years to develop her main ports of Canton and Shanghai” as substitutes, and thus “the present leadership in China will not make any claims” on Hong Kong before the expiry of the lease in 1997.<sup>71</sup> In October the *Far Eastern Economic Review* echoed the

respectively. *CU Student*, 3: 9 (15 October 1971), pp. 8–9 and *ibid.*, 4: 1 (15 January 1972), p. 2; *Undergrad*, 5 (16 October 1971), p. 2 and *ibid.*, 12 (1 January 1972), p. 2.

<sup>67</sup>See W-M. Lam, *Understanding the Political Culture of Hong Kong: The Paradox of Activism and Depoliticization* (Armonk, New York, 2004), pp. 125–156; Hong Kong Federation of Students (ed.), *Xianggang xuesheng yundong huigu* [A Recollection of the Student Movement in Hong Kong] (Hong Kong, 1983), pp. 9–19.

<sup>68</sup>See G. Matthews, E. K-W. Ma, and T-L. Lui, *Hong Kong, China: Learning to Belong to a Nation* (London, 2008), pp. 27–35.

<sup>69</sup>See Lam, *Understanding the Political Culture of Hong Kong*; Ambrose Yeo-chi King, “Administrative Absorption of Politics in Hong Kong: Emphasis on the Grass Roots Levels”, *Asian Survey*, 15: 5 (May 1975), pp. 422–439; I. Scott, *Political Change and the Crisis of Legitimacy in Hong Kong* (Hong Kong, 1999), pp. 106–126.

<sup>70</sup>Miners, *The Government and Politics of Hong Kong*, p. 193; Pepper, *Keeping Democracy at Bay*, p. 166.

<sup>71</sup>*The South China Morning Post*, 3 September 1971.

view that Hong Kong “is likely to remain the chief gateway to China” as “China trade will continue to require knowledge, great patience, and a trading base”.<sup>72</sup> After China’s admission into the United Nations, according to *Sing Tao Wen Pao*, Beijing would not use military means to resolve the Taiwan question in the foreseeable future, so Hong Kong’s status would not be affected.<sup>73</sup> Rightist newspapers such as *Hong Kong Times* and *Kung Sheung Yat Po*, although being suspicious of China’s future intention, generally agreed that Hong Kong was not under immediate security threat.<sup>74</sup>

## V

Ultimately, it was China that held the key to Hong Kong’s political future. During the Anglo–Chinese negotiations over full diplomatic relations, Beijing never raised the question of Hong Kong. Rather, in the course of a private conversation on 19 October 1971, Zhou Enlai expressed to Malcolm MacDonald, a former British Commissioner–General for Southeast Asia who was visiting the mainland, that China had “no intention of seeking to get Hong Kong back until the expiry of the New Territories lease”.<sup>75</sup> Here was a reassurance on Hong Kong from the highest level of the Chinese leadership.

Taking into account Zhou’s comment and the Chinese official statement back in 1963, on 13 December the Foreign and Commonwealth Secretary, Alec Douglas–Home, prepared a memorandum on Hong Kong’s future for consideration by the Cabinet Defence and Overseas Policy Committee. The memorandum estimated that “negotiation with China about Hong Kong will probably be impossible while Mao Tse-tung lives, and may not be possible even after his death”. It suggested three options open to Britain, including maintaining the *status quo* and preparing a voluntary and negotiated withdrawal as soon as possible. But Douglas–Home recommended to his Cabinet colleagues the third option: to “maintain the status quo, and take preliminary informal soundings with Peking nearer 1997” with a view to securing an indication from the Chinese that they would either “not interfere with the present arrangements after 1997” or “agree to negotiate new terms for a lease”. If that failed, the focus should be on “negotiating an orderly withdrawal in 1997”. It was recommended that officials should review the situation annually.<sup>76</sup> In early January 1972, the Prime Minister approved the paper and the proposal for an annual review of the situation of Hong Kong.<sup>77</sup> For the first time since the 1967 riots, the study of Britain’s long-term policy regarding Hong Kong was given formal ministerial endorsement.

The British continued to keep a watchful eye on China’s latest position on Hong Kong. On 8 March, Huang Hua, China’s permanent representative at the United Nations, wrote

<sup>72</sup>*Far Eastern Economic Review*, 74: 44 (30 October 1971).

<sup>73</sup>*Sing Tao Wen Pao*, 27 October 1971.

<sup>74</sup>*Hong Kong Times*, 5 November 1971; *Kung Sheung Yat Po*, 30 October 1971.

<sup>75</sup>It must be noted that Zhou made the comment on Hong Kong with reference to Taiwan. By that time, the Anglo–Chinese negotiation over the exchange of ambassadors was deadlocked over the British insistence on their legal view that Taiwan’s status was “undetermined”. Zhou estimated that one of the reasons was that Britain “might fear that if we acknowledged China’s sovereignty over Taiwan this would have an effect on the standing of Hong Kong”, a fear which MacDonald denied. Beijing to FCO, no. 1076, 19 October 1971, FCO 21/855, TNA.

<sup>76</sup>Memorandum by Foreign and Commonwealth Secretary, DOP(71)83, 13 December 1971, CAB 148/117, TNA.

<sup>77</sup>Roberts to Barrington, 3 January 1972, PREM 15/1626, TNA.

to the United Nations Committee on Decolonisation, stating that Hong Kong was “part of Chinese territory” under British “occupation” as a result of the “unequal treaties”, a question to be resolved by the Chinese government “in an appropriate way when the conditions are ripe”. He requested that Hong Kong and Macao be removed from the category of colonial territories under the Committee’s terms of reference. Beijing aimed to put on record in the United Nations China’s views that Hong Kong’s future lay not in “independence” but in “reunification with the mainland”.<sup>78</sup> In response, British officials stated publicly that China’s claim to Hong Kong as contained in Huang’s letter was nothing new but merely reaffirmed its long-standing position on the Colony. Many of the Hong Kong newspapers, too, did not envisage a change in the *status quo*.<sup>79</sup> More importantly, Huang’s letter posed no new obstacle to the Anglo-Chinese negotiation over diplomatic relations, which reached the final stage at that juncture. On 13 March, the two sides finally reached an agreement on the exchange of ambassadors, marking the beginning of a new era.<sup>80</sup> The response of the Hong Kong press was favourable: many expected that Hong Kong would benefit from improved Sino-British relations, and its colonial status would be secure for the time being.<sup>81</sup> Nevertheless, the normalisation of Anglo-Chinese relations necessitated at least a shift in official language by the British: Hong Kong was no longer referred to as a “Colony” but a “Dependent Territory”.<sup>82</sup>

In a communication to London on 5 May, Murray MacLehose, who succeeded Trench as Governor in November 1971, offered his view on Hong Kong’s future and strategy in the context of the new Sino-British dialogue. In line with the earlier decision by the Cabinet Defence and Overseas Policy Committee, he wrote: “Sometime, probably in the decade of the 1980s, the shadow of the end of the lease in 1997 will force us to negotiate with the Chinese People’s Government over the future of Hong Kong. [Britain] can afford no false step because once we offer to negotiate and it becomes known, confidence in the Colony would collapse and our bargaining position would evaporate”. MacLehose suggested that Britain should delay “definitive negotiations” on Hong Kong’s future until the 1980s in order to both “see what post-Mao/Chou-China is like as a negotiator” and “give Hong Kong time to put its house in order”. Such a strategy of negotiation would fit in well with the “domestic strategy” of the Hong Kong government, which aimed “to tackle the domestic problems of the Colony so vigorously during the next 10 years that they would be eliminated to a point at which by Western standards there was nothing to be ashamed of anywhere, and by Chinese standards much to spur civic pride and a sense of achievement everywhere”. The domestic problems to be addressed included housing and urban renewal, social services, secondary education, transport, and so forth. Such a domestic programme

<sup>78</sup>On 8 November, the UN General Assembly overwhelmingly adopted the Committee’s resolution regarding Huang’s request for excluding Hong Kong and Macao from the list of colonial territories. On 14 December, the British representative at the UN wrote to the General Secretary, stating that the approved resolution would not affect the legal status of Hong Kong. Beijing did not respond to the British letter. H. Huang, *Qinli yu jianwen: Huang Hua huiyilu [Experience and Observation: Memoir of Huang Hua]* (Beijing, 2007), pp. 193, 346.

<sup>79</sup>See *The South China Morning Post*, 13 and 14 March 1972; *Kung Sheung Yat Po*, 12 March 1972; *Sing Tao Jih Pao Daily*, 12 March 1972; *Ming Pao Daily News*, 12 March 1972.

<sup>80</sup>Joint Communique on Agreement between Britain and China on Exchange of Ambassadors, 13 March 1972, FCO 21/988, TNA.

<sup>81</sup>*Ming Pao Daily News*, 14 March 1972 and 20 November 1972; *Tin Tin Daily News*, 16 March 1972.

<sup>82</sup>J. Carroll, *A Concise History of Hong Kong* (Hong Kong, 2007), p. 176.

was “worth pursuing for its own sake”, MacLehose emphasised, but “it also holds out the best prospect for the least unsatisfactory arrangement with China on the long term future of the Colony”.<sup>83</sup> For the rest of the 1970s, MacLehose was in Hong Kong to implement his domestic strategy of social and economic development.

If, from the late 1950s, Hong Kong had been “decolonised” in substance, if not juridically, due to its economic progress and administrative autonomy, in the 1970s accelerated development would pave the way for *de jure* decolonisation.

## VI

At a time when the United Kingdom accelerated decolonisation and gradually embraced Europe, Hong Kong was regarded as both valuable and peripheral. Being a major holder of sterling balances, Hong Kong was a colony too valuable to be abandoned. Yet given its indefensibility and constitutional “awkwardness”, British ministers and civil servants could not simply take Hong Kong’s status in a rapidly changing world for granted. The “decolonisation” of Hong Kong, indeed, began in the late 1950s and became more complex in the 1960s when issues such as refugees, textile exports, defence contribution, and sterling reserves increased the frictions between the United Kingdom and the Crown Colony – and evolved Hong Kong’s financial and administrative autonomy from London. All this explained why, after the outbreak of the 1967 riots, a sense of pessimism quickly took hold in London. When deliberating on its long-term future, Whitehall officials and Cabinet ministers assumed that the United Kingdom could not expect to remain in Hong Kong on present terms until the lease of the New Territories lapsed in 1997. Such pessimistic attitudes to Hong Kong were, moreover, attributable to Britain’s external reorientation from Empire to Europe in the early 1970s. With all the British forces being withdrawn from East of Suez, the Commonwealth Office amalgamated into the Foreign Office staffed by diplomats, and with Prime Minister Heath’s eyes firmly fixed on the EEC, the United Kingdom increasingly regarded the Crown Colony as an embarrassing political anachronism. Although, by 1972, the official mindset was no longer dominated by a “doomsday scenario” as it had been in the immediate aftermath of the riots, the long-term future of Hong Kong was now placed on the agenda of the British government, which demanded annual review and continuous planning. There was no timetable for self-government or independence for Hong Kong, but the ministerial decision that Britain should look for a favourable opportunity to approach China about Hong Kong’s post-1997 future. Ironically, neither the Chinese government nor the Hong Kong people desired a change in the colonial *status quo* for some time to come.

In March 1979, the FCO judged that now was the right time to raise the Hong Kong question. As David Wilson, MacLehose’s Political Advisor (and later Hong Kong Governor), recollected, Anglo-Chinese relations in the post-Mao era were “relaxing enough”, and the time limit of 1997 was “coming close enough” to take the initiative.<sup>84</sup> At the invitation of the Chinese Minister of Foreign Trade (who had intended to discuss economic matters

<sup>83</sup> MacLehose to Douglas-Home, 5 May 1972, FCO 21/1023, TNA.

<sup>84</sup> The British Diplomatic Oral History Programme, No. 83, Interview with David Clive Wilson (Lord Wilson of Tillyorn) 2003, p. 34. <http://www.chu.cam.ac.uk/archives/collections/BDOHP/Wilson.pdf>.

only), MacLehose visited Beijing to meet with the new Chinese leader, Deng Xiaoping, and to take “informal soundings” about Hong Kong’s post-1997 legal status (by way of the question of land leases in the New Territories). Accompanying him was Cradock, the former FCO planner who had recommended such an informal approach who was now the British Ambassador to China. By this time, however, the British “official mind” was not quite the same as it had been in 1972. With Deng’s policy of economic reform and opening-up and thus Hong Kong’s possible contribution to China’s modernisation, the British had regained a basic optimism about Hong Kong’s future beyond 1997. This was particularly the case for Margaret Thatcher, who became Prime Minister in May and who, after victory in the Falklands War in 1982, would seek to prolong the British “administration” of Hong Kong. Deng would prove Thatcher wrong.chi-kwan.Mark@rhul.ac.uk

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