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Hong Kong: Out of this World?

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New York 17, New York

Dear Dick:

About 90,000 Americans visited Hong Kong in 1962, including 12 Senators and 28 Representatives in the months of November and December. Very few of these visitors appreciated how important Hong Kong is as a center for the study of Communist China and its relations with the rest of the world. Fewer still thought of this British Crown Colony as itself having a significant role in the destiny of Communist China.

I would have profited from spending more time than I was able to on such subjects as Communist China's internal problems, Sino-Soviet relations, and China's ties with Southeast Asia, to all of which topics the government and private research institutions in Hong Kong can make a unique contribution. Quickly, however, I became fascinated by the colony's own affairs with the two Chinas and decided to write on Hong Kong's China policy as if it were a sovereign country. I hope you will agree after reading the attached essay that Hong Kong deserves such separate portrayal.

Cordially,

George C. Denney, Jr.

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Received in New York January 15, 1963.

A copy of Mr. Denney's report, HONG KONG:
OUT OF THIS WORLD?, accompanies this
letter.

R. H. Nolte

INSTITUTE OF CURRENT WORLD AFFAIRS

HONG KONG: OUT OF THIS WORLD?

By
George C. Denney, Jr.

Hong Kong: Out of this World?A. Introduction

1. Outside of many things - No doubt tourists frequently exclaim that Hong Kong is out of this world. Among other things, they may have in mind the fact that the British Crown Colony of Hong Kong, although physically part of the mainland of China, is outside of Communist China and has a life contrasting dramatically with life inside the adjacent province of Kwangtung. Hong Kong is more or less neutral ground outside the struggle between the Peking and Taipei regimes, and, although Hong Kong residents are vitally concerned with the outcome of the rivalry, each side restrains its adherents in the colony from stirring up too much trouble for the British. It is outside the East-West conflict, a place where the United States can enforce its embargo on trade with Communist China and where other countries can send their representatives to make contracts for such trade. It is outside the United Nations. It is outside the area of contention between the Soviet Union and Communist China; on December 12, 1962 Mr. Khrushchev told the Supreme Soviet that he agreed with China's handling of Hong Kong and Macao even though "the smell spreading from these areas is no sweeter than the stench given off from Goa." Hong Kong is outside the vital interests of the United Kingdom and its allies, not being comparable in the least with Berlin, for instance, in its strategic defense priority. It is outside the world-wide antipathy to colonialism; there is no Hong Kong independence movement. It is outside the universal craving for self-government; even the most extreme of the Hong Kong reform groups asks for only a little more voice for the nearly silent and narrow electorate. Hong Kong will be outside the European Economic Community even if Britain joins it, and some alternative method is being sought to safeguard the colony's interest in exporting to Britain. The 3.5 million Chinese in Hong Kong, although not strictly classifiable as overseas Chinese, are even, in some respects, outside the mainstream of Chinese culture since 95 percent of them speak Cantonese rather than the Mandarin dialect which is pushed for standardization in both Communist China and Taiwan and since Hong Kong is the last community of Chinese where a Chinese man can legally take a concubine.

The foregoing considerations when added to others make it appropriate to treat Hong Kong's China policy separately. The colony has more people than do each of 36 of the members of the United Nations, the largest aggregation of Chinese outside China. It is the most important non-Communist trading partner of Communist China and the third biggest trader with the United States in the Far East, after Japan and the Philippines. It is self-supporting and, in spite of taking on about a million refugees since 1949, has been able to achieve nearly full employment. Whatever may be the future of Hong Kong, its relations with China have been unique and significant. Knowledge of them may shake some stereotyped impressions of Communist China's conduct.

2. Hong Kong-China history - British attempts in the early 17th Century to trade with China ran into Portuguese competition and the hostility of the Chinese Emperor, particularly with regard to opium from British India. Britain finally forced its way in and one of the fruits of the First Opium war (the Chinese name) was the cession of Hong Kong Island to Britain under the Treaty of Nanking of August 29, 1842. Continued Chinese resistance to the granting of trade rights and extra-territorial jurisdiction in trading ports led the British to wrest further concessions in the Second Opium War, and under the Treaty of Tientsin of October 24, 1860 the Chinese gave up a strip of the mainland, Kowloon, opposite the island. In addition to its value for trade in opium, coolies and other items, Hong Kong became important for British military purposes, but might have been hard to defend against an attack from the mainland. In order to remedy this weakness, on June 9, 1898, after the Chinese had yielded territory to France, Germany and Russia, Britain took a 99-year lease on the so-called New Territories, which reached twenty miles inland beyond Kowloon and included some other islands adjacent to Hong Kong (making the total area of the colony a little larger than New York City today). The walled city within the Kowloon strip was to continue under Chinese jurisdiction "except so far as may be inconsistent with the . . . defence of Hong Kong."

Chinese resentment over this history kept pace with Hong Kong's growth in population and business; and the Nationalist movement of the 1920's, with increasing clamor and with strikes and boycotts, demanded its return. Japanese aggression against North China in the 1930's sent some 700,000 refugees to Hong Kong, most of whom fled again when the Japanese overwhelmed the colony from the mainland in December 1941. The Government of the Republic of China (GRC) hoped to get Hong Kong back after the Second World War. Immediately after the Japanese ceased fighting, both China and Britain announced they would take over from the Japanese forces in Hong Kong and the New Territories. The United States as umpire between two allies awarded the prize to England. The Nationalists were unreconciled to this decision. As a reaction to British removal in 1948 of squatters from an overcrowded portion of the old city in Kowloon, a mob sacked and burned the British Consulate in Canton and other property of British citizens, and their women and children had to be evacuated by air to Hong Kong. Protests, incidents and bickering continued to the end of Nationalist rule on the mainland.

As the Chinese civil war moved southward the British strengthened Hong Kong's defenses so as to make clear that they would not give up the colony to the Communists without a fight. Refugees from Kwangtung and Shanghai swarmed in. The population rose from 1,800,000 in 1947 to 2,360,000 by the end of 1950. The Communists took over the border posts from the Nationalists in 1949 but evidently decided not to have a showdown over Hong Kong. The British took internal security precautions and measures to prevent inflammatory political agitation by either Kuomintang (KMT) or Communist organizations. The Communists protested these "police state" actions

but let them go. During the 1950 discussions about establishing diplomatic relations with Britain the Chinese Government made no public official request for the return of Hong Kong. It has been made perfectly plain, however, in radio broadcasts, newspapers controlled by the Communists and in dozens of actions down to the present that the Peking Government considers that Hong Kong belongs to China, that Chinese have the right to go in and out freely, and that the British are only temporarily being permitted to administer the territory.

Clashes between Communist and Nationalist interests caused headaches and crises for the Hong Kong Government. The ownership of 73 transport aircraft, flown out to Hong Kong at the last minute in 1949 by the Nationalists and sold by Chiang to Chennault to a new Civil Air Transport company, was contested in the British courts (the Communist information media denying such jurisdiction) until 1952 when the GRC won. The Communists immediately retaliated by taking over valuable British properties in Shanghai. Also in 1952 Communist-led rioters tore up Kowloon in protest against British refusal to allow a delegation to come from Canton to express sympathy for victims of a fire in one of the squatter settlements. Just before the Bandung Conference in 1955 the Chinese Government warned the British Embassy in Peking that Nationalist agents might try to harm Communist delegates passing through Hong Kong. Sure enough, an Indian airliner whose passengers included eleven Communists going to the Conference crashed off Borneo killing fifteen persons. A time bomb had been inserted at Hong Kong. An aircraft cleaner fled to Formosa and the Nationalists refused to return him to Hong Kong for trial. Outraged Communist protests in every channel included a formal note to the British Government charging failure to take proper precautions after being forewarned. The worst incident was set off in 1956 in October (always a trouble month because of the Communist national day on October 1 and the GRC celebration on October 10) when on the "Double Tenth" Hong Kong officials removed Nationalist flags which had been affixed to the walls of Government buildings. Two days of riots, Nationalist-led in the initial stages, attacks on Communist organization premises, looting of shops and fighting between Nationalist and Communist supporters and between secret societies resulted in the death of 51 persons and the injury of hundreds. The British blamed the secret societies and said the riots had been spontaneous. Chou En-lai in a statement on October 13, 1956 rejected this explanation, charged connivance with Kuomintang agents, and said ominously that the Chinese Government was watching whether the Hong Kong authorities were capable of maintaining order and preventing political agitation by the KMT. The next and latest serious KMT-Communist altercations came in July and August 1962 when KMT agents working through Hong Kong caused a series of small explosions in border-crossing transportation facilities. Provocative mention of these bombings in radio broadcasts to the mainland from Taiwan added to the violence of the Communist outcry. Macao protested to the Government of the Republic of China. The British took direct action by rounding up KMT agents

in Hong Kong and deporting them to Formosa. It was not necessary to take the next possible step, deporting agents to Communist China; the GRC finally halted this incendiary series.

3. Hong Kong and Macao - Both colonies are anachronisms but Macao matters a lot less both to Portugal and to China than Hong Kong does in its corresponding relations. Macao is only a tiny spit at the mouth of the Pearl River opposite Hong Kong and 45 miles away. It has a population of 220,000, and hardly any industry, but serves as a way station for refugees on their way to Hong Kong. Macao is completely vulnerable to China's will. Portugal recognizes the Government of the Republic of China on Taiwan which has a Commissioner in Macao, but, as with Hong Kong, the dealings which count are those with the unofficial representatives of Communist China in the colony. Macao's legal title is still weaker than Hong Kong's. It does not dare put any limit on the number of border crossers from the mainland and is completely dependent on the mainland for water. Macao's only conceivable leverage lies in its existence as an alternate escape valve for refugees (traffic in which incidentally lines some pockets in Communist China), in the gold trade and in the economic advantage to Communist China of having Portugal treat as a Macao product Chinese shipments via Macao to Portuguese colonies in Africa.

Having thus marked out Macao's size relative to Hong Kong it should also be said that the two are tied together, in the sense that Communist China could hardly dispose of one of them alone. If Hong Kong were taken over there would be no point in leaving Macao, and if the latter were incorporated panic of the most damaging sort would sweep through Hong Kong.

Their common danger and frailties have not drawn the two colonies into noticeable cooperative action. Macao could help Hong Kong by preventing junks from loading up there with refugees who lack permission to go to Hong Kong but who hope to land secretly in the dead of night on one of Hong Kong's unguarded shores. Assurances of assistance have been given from time to time by Lisbon and Macao authorities but nothing has happened; profits in such traffic have been too great, corruption has been entrenched and the risk of offending Communist China has been imponderable. The South China Morning Post of December 20, 1962, however, reported an agreement between Hong Kong and Macao police "to bring the traffic of illegal immigrants to a halt". Implementation lies ahead.

B. Summary of Relations and Forecast

The future of Hong Kong depends on the productivity of agriculture in Communist China. Far-fetched? Not very; it is a proposition which can be defended. This report makes reference to many reasons why Hong Kong is important to both Communist China and the West. The nicely balanced truce and the disinclination of any group in or out of the colony to upset it are described. The overwhelming power of China relative to Hong Kong and the variety of the means by which the Communists could bring Hong Kong under their control are pointed out.

Communist China could not tolerate having Hong Kong made into a military strongpoint, but the West has no intention of attempting that. The people of Hong Kong are not striving to maintain the independence of their culture and political system. They are Chinese only recently arrived from China and they have not ruled themselves for a single day. Some do not like the government at home but nothing that happens in Hong Kong is likely to affect that government much. It is not in military or political categories, then, that the key to Hong Kong's future is likely to be found.

The British established Hong Kong for its value in trade and that continues to be its chief purpose for the United Kingdom although Hong Kong's economic function is shifting from trade conduit to producer and consumer. Most of the people of Hong Kong came there because they thought they could find more food and better clothing and other necessities of life. Hong Kong's prosperity, however, depends less and less on Communist China. Little is sold to China and that which is bought from China, except for water, could be bought elsewhere nearby, although more expensively. Hong Kong's water problem may be solved in ten years without the aid of China. It is not oversimplifying too much, therefore, to say that the future of Hong Kong depends on economic conditions outside.

Communist China could, but does not, take over Hong Kong. To do so would spoil it as a place for China to earn a major portion of the convertible currency which China needs badly to pay for grain and other imports. China has had to import grain from Canada, Australia and France because its own agricultural production slumped badly in recent years. It has now given priority to rejuvenation of agriculture but this will require imports of fertilizer and machinery and continued imports of grain until home production catches up. Hong Kong is a prime source of foreign exchange for Communist China now and the chances are this will continue for at least several years. If some country replaces Hong Kong in this position, or if Communist China's internal economy should become prosperous enough so that foreign exchange is less important, then Hong Kong must worry.

C. Relations with the Government of the Republic of China (GRC)

1. Political matters - In 1950 Britain recognized the Communist Government in Peking as the Government of China but also retained a consul in Tamsui, Taiwan, accredited to the Provincial Government of Taiwan. Britain has agreed with the United States that the status of Formosa should remain legally uncertain. For many years the British supported reluctantly the successful efforts of the United States to keep Communist China unrepresented in the United Nations. In 1962 Britain voted in favor of a Soviet resolution to substitute Communist China for Nationalist China in that organization. It is understandable in this context that relations between British authorities in Hong Kong and the GRC authorities in Taiwan have been minimum and cool.

The Nationalists have never deviated from their stand that Hong Kong belongs to China, but since 1945 they have made no formal request to have it returned and since 1949 they have been in no position to ask. After World War II the GRC established in Canton a Commissioner of the Ministry of Foreign Affairs who had jurisdiction over Kwangtung and Kwangshi with branch offices in Macao and Hong Kong, but in 1950 after British recognition of the Peking Government the Hong Kong office was closed. Hong Kong authorities today communicate with Taipei as little as possible, doing so through the British consul in Tamsui when they must. The Nationalists station several trusted men in Hong Kong in a private capacity. One of these takes care of VIPs from Formosa who pass through Hong Kong in transit or come for a private visit and deals unofficially with functional offices of the Colonial Government. Hong Kong will not permit Nationalist officials to come there to do business in their official capacities; for example, to have a conference with officials of some third government.

The Chinese Government on Taiwan is satisfied with British administration of Hong Kong and has no earnest complaint about the treatment of Chinese in the colony. Taiwan's interest is to keep alive and credible its claim to be the only rightful government of China and to attract the attention of Chinese everywhere to its continued existence as an alternative to the Communist regime on the mainland. Every word or action in Hong Kong attributed to the Taiwan Government, however, runs head-on into the conflicting interests of the British who have recognized the Communist Government of China and who administer Hong Kong under the sufferance of the Communists. The Nationalists want to keep things stirred up so as to draw notice to themselves. The Hong Kong authorities desire the opposite so as to give Peking no cause for complaint. The GRC has the ability to cause disturbances in Hong Kong, but the Communist Government of China has the power to end Hong Kong's free existence.

The Taipei regime realizes that the British have no choice but to avoid antagonizing Peking, but it apparently cannot resist trying to gain a bit of political advantage now and then in Hong Kong. Taiwan's attitude on the problem of refugees reaching Hong Kong from Communist China, which is described more fully below, is an example of this tendency: Hong Kong fears that assumption of responsibility for this problem by the United Nations High Commissioner for Refugees would inject international politics into a situation which has been free of it, without adding financial resources, but the representative of the GRC in the U.N. has pushed for this to be done.

The British are most sensitive of all to a charge by Peking that Hong Kong is a base for subversion against Communist China. The Kuomintang has provided such ammunition for Peking by repeated needle jabs, not damaging to Communist China but keeping Nationalist activity in the Hong Kong newspapers. The July-August 1962 petty border bombings have been referred to. On September 28, 1962 the South China Morning Post (SCMP) reported an announcement by Can-

ton authorities that they had captured and immediately executed . five espionage agents of Chiang Kai-shek who had hired a junk in Aberdeen, H.K. to take them to Communist China. The same newspaper on December 7, 1962 reported delays of several hours on the Canton-Kowloon Railway because of sabotage of a section of track north of the Chinese border town of Sham Chun. Two days later the Hong Kong Tiger Standard reported the finding of Nationalist "People's Vanguard" posters plastered on a wall near the Canton-Kowloon Railway depot at Tsimshatsui. On December 12, 1962 SCMP carried a story of the deportation from Hong Kong to Taiwan of 32 Chinese who had been detained in connection with the seizure of a quantity of arms on Town Island (a rocky islet at the eastern end of the Hong Kong island group) in September. Finally on December 30, 1962, under a headline, "China Landings Smashed", SCMP contained an announcement of the Communist Chinese Ministry of Security that during the period October 1 to December 6, 1962 it had wiped out nine groups "of 172 armed US-Chiang Kai-shek special agents" who had secretly landed at several points on the coast of Kwangtung. Other agents were said to have "sneaked in from Hong Kong and Macao and were captured."

As is discussed below, Taiwan competes with Communist China to obtain a favorable reflection in the Hong Kong population. Each has its predisposed labor unions, schools, newspapers and movie houses. The result has not been to divide the Chinese into two warring camps. These clagues do not have that much influence on people who are consciously a-political in a sanctuary which would cease to be such if many persons chose sides. Indeed, it is unlikely that either side desires such a confrontation. It is, nevertheless, a minor sport in Hong Kong in October to count the Communist flags put up on the first of the month and the Nationalist flags displayed on the tenth. Amateur flag counters say that the Nationalists had the most in October 1962 as usual. Before drawing any political conclusion from this estimate one would have to subtract some number from the Nationalist flag holders to take account of those who had no enthusiasm for Chiang but who wished to be recorded as anti-Communist.

2. Economic relations - Trade with Formosa in 1961, as in earlier years, was not of great importance to Hong Kong. About two percent of Hong Kong's imports came from Formosa. About five percent of Hong Kong's re-exports and a negligible amount of domestic exports went to Formosa. Hong Kong competes with Formosa in the export of manufactured products. Hong Kong has proved to be a much more attractive place than Formosa for overseas Chinese who seek a safer or more profitable haven for their funds than their country of residence. It is the nature of the Hong Kong government which makes the big difference; overseas Chinese feel that they are more likely to get a square deal from the British than from the Kuomintang. In addition, the Taiwan Government has many more restrictions on investment and on establishing businesses.

3. Refugees - The ratio of people to land in Formosa is 35 times more favorable than it is in Hong Kong but Hong Kong has received 10 times more refugees than Formosa since the Nationalists moved there in 1949-50. In the early 1950s the KMT was especially skittish about subversives from the mainland entering Formosa via Hong Kong and Macao and allowed few to do so. Then the policy was established of permitting refugees to enter who could muster two guarantors to vouch for their loyalty and assure their upkeep. Under this formula 8,000 to 11,000 refugees, mostly with family connections, have moved from Hong Kong to Taiwan each year during the period 1953-1962. The impediments to such flow established by the GRC have not been so inhibiting, however, as the reluctance of refugees to go to Taiwan. At least four checks have operated: (a) 80 percent of Hong Kong refugees come from Kwantung Province and they are far more likely to find family, language and cultural ties in Hong Kong than in Formosa; (b) economic opportunities have been thought to be better in Hong Kong; (c) some want to get away from the Communist-KMT struggle; and (d) some dislike the KMT.

One of the longest-persisting special refugee problems is described in typical low-key style in the Hong Kong Report of 1961:

"Rennie's Mill Village. In 1950 a new community came into existence in Junk Bay on the eastern shores of the Kowloon Peninsula when a number of ex-Nationalist soldiers, previously accommodated on Hong Kong Island, were moved to a camp under the supervision of the then Social Welfare Office. With the passage of time many of the original soldiers moved away. Other refugees and their families took their place and the camp developed into a permanent settlement of some 8,000 inhabitants living in stone cottages, many of which were constructed with the assistance of welfare organizations."

This account leaves out the troublesome political side of the problem. The Rennie's Mill group was a kind of hotbed of Nationalist activity which had to be more or less quarantined. The Taiwan Government delayed removal of able-bodied soldiers, pleading the questionable security of some of them, and took back almost none of the sick and wounded. The GRC still sends in a food subsidy. Recently the GRC has sent representatives to Rennie's Mill to announce the availability of resettlement in Taiwan but now the villagers do not want to leave.

The GRC irritated Hong Kong officials by its meddling in the refugee crisis of April-May 1962 when thousands of refugees poured across the borders of the New Territories every day. The British decided that in the interest of refugees already in Hong Kong and not yet properly taken care of it would be necessary to send back illegal border crossers. The Chinese authorities in Peking ultimately cooperated in this action by sealing the border on the Chinese

side. The GRC scoldingly cried to the world that the British decision was inhuman, and humanitarian sentiment from far and near at first questioned the necessity for it. Most Chinese residents of Hong Kong later accepted the necessity of British action but naturally wanted their own relatives to be exceptions. The GRC made a dramatic public offer to throw open its doors and accept refugees in the new flood without the usual guarantees. The GRC followed this with a request for a government-to-government agreement on the subject, a request which the British refused as being unnecessary and inconsistent with their relations with Communist China. Then Taiwan proposed informal conversations which would include American refugee program officials (because the question of paying for a large-scale movement to Taiwan had been asked). The upshot of these sounds from Taipei was favorable propaganda for the GRC, but as of December 3, 1962 only 606 refugees (out of some 65,000 who came in the flood) had taken advantage of the GRC offer, and the transportation cost for these was paid by the United States. The GRC attitude contrasted with the statement issued by a Chinese civic leader in Hong Kong on May 5, 1962, an excerpt from which follows:

" . . . 4. The policy of the Hong Kong Government to close its borders to the illegal entry of additional numbers of refugee-immigrants is one which is to be regretted on humanitarian grounds but which must be viewed with sympathy in the light of the Hong Kong Government's heavy responsibilities within her own territory, where there continue to exist serious shortages of housing, education, medical, and welfare facilities.

"5. It now appears that Hong Kong's capacity for the further absorption of refugee-immigrants from mainland China has reached a critical point, and the Human Rights Council of Hong Kong calls upon the international community to render maximum aid in solving Hong Kong's tragic 'problem of people'.

"6. Specifically, the Council makes the following proposals:

"(A) That the Government of the Republic of China in Formosa through its welfare bodies take immediate steps to receive and resettle 100,000 refugee immigrants from Hong Kong during 1962-63. . ."

4. Cultural relations with Formosa - The mild competition mentioned earlier between Communists and KMT for the sympathy of the people of Hong Kong has not resulted in recruiting many active partisans for either side; the people simply avoid political involvement. Take schools: as of September 30, 1961 there were 1,918 of all kinds, public and private, kindergarten through post-secondary colleges, having an enrollment of 658,618. The majority of primary

schools are Chinese schools where the medium of instruction is Cantonese. A little more than half of the secondary schools (which only 1/6 of all students are able to attend) use English, with Chinese being taught as a second language. Knowledge of English is essential in higher education. One gets conflicting estimates of KMT and Communist influence, but the order of magnitude is discernible: the Communist direction may predominate in 50 primary schools, 5 secondary schools and no college, and the Nationalist influence may predominate in 4 primary schools, 12 secondary schools and one small college. I gathered estimates from several pro-Nationalist Chinese that their schools lag behind their rivals in quality of instruction, science equipment and dedication of teachers. From the point of view of the KMT, the situation is not hostile because in all of the other schools not included in the foregoing division the content is non-Communist and non-political. Moreover, the school system as a whole is not replacing Chinese culture and is not even causing the students to think of themselves as Hong Kongites. They remain Chinese, but many have also learned English and some Western ideas.

The United States Information Service analyzed the press in Hong Kong at the end of 1961 as follows:

"37 dailies, 33 Chinese and 4 English language; (estimated combined circulation 650,000). Eleven Chinese and one English paper are Nationalist Chinese-controlled or oriented; (Estimated circulation 224,300 Chinese, 7,800 English). Eight Chinese papers are Communist or pro-Communist; (Estimated combined circulation 177,500). Thirteen Chinese papers are considered independent; (estimated combined circulation 211,950). Three of the English language papers reflect free world views; (combined estimated circulation 24,500). AP, UPI, AFP and Reuters maintain bureaus in Hong Kong."

This brief look at schools and newspapers indicates that Hong Kong is a Chinese city with an English cultural veneer in the business and government sections.

D. Relations with Communist China

1. Political - A Chinese in Hong Kong, who is a Communist, told me with more than a touch of sarcasm that Hong Kong is a nice example of how to behave, a perfect blend of the Confucian spirit and the Communist doctrine of co-existence. His sarcasm came from his unspoken assumption that Hong Kong remains as a leftover bit of capitalism in an otherwise Communist area because this anomaly suits Communist China for the time being. The present status is tolerable to everyone with power or responsibility in the situation. It is a delicate balance of interests.

Great Britain, halfway around the world from Communist China, has diplomatic relations with it and there are senior official representatives in both London and Peking. Paradoxically, Hong Kong, which is part of the China coast and whose population is 98 percent Chinese, is administered autocratically by the British without the presence of an official of Communist China.

Britain's title to rule Hong Kong rests on a treaty and a lease which Communist China would deny have validity. For 13 years since the Communists won the rest of China they have refrained from challenging Britain's right, at first out of hesitation over British arms and now for economic expedience. The British do not want to get out because Hong Kong is an economic asset, but even if the colony were less profitable its other benefits to the free world and the welfare of its refugees from Communist China give rise to responsibilities which could not be easily laid aside. This is not to say, however, that Hong Kong would be defended to the death if subjected to heavy pressure by Communist China; neither Britain nor the United States has made any such commitment.

There is only one official channel of communication between Hong Kong and authorities in Communist China: Hong Kong-London-Peking. This channel is used sparingly and for subjects of major importance. Two examples during 1962 were Typhoon Wanda and the April-May refugee flood. The typhoon blew ships into Communist waters and Hong Kong wanted to search for and assist them. This was arranged quite promptly through Peking, and Kwangtung Province officials were helpful during the search and rescue operations. The refugee problem was more complicated, as is explained below, and Peking took much longer to respond to Hong Kong's description of its difficulties.

The choice of many unofficial channels is determined by the subject. Hong Kong's Royal Observatory exchanges weather observations with the Chinese weather service. The managers and operators of the British section of the Canton-Kowloon Railway work out with their counterparts on the Chinese side of the border the myriad details of running a railroad which carried 868,298 passengers to and from the frontier station of Lo Wu in 1961 (the majority of which travelled between Hong Kong and China). The Kai Tak international airport of Hong Kong keeps in touch with the Canton airport about weather and other operating conditions even though no aircraft ply between the two. Shipping schedules, navigation aids, communication nets, lighterage, bunkering and so forth are arranged between the Communist shipping agency in Hong Kong and the Director of Marine and private shipping companies. The China Resources Company, which occupies three floors of the large Communist Bank of China Building in Hong Kong, handles for Communist China the trade across the frontier and negotiates the content, terms and conditions of trade with Hong Kong's Department of Commerce and Industry, the various Chambers of Commerce and individual private businessmen. The Hong Kong Post Office Department works out with the postal authorities of Communist

China another kind of trade which moves heavily into China and lightly out of it. In the peak month of May 1961, 43,000 mail bags containing 1,250,000 packets of food, clothing and other goods moved to China from Hong Kong by rail alone, and additional shipments went up the Pearl River to Canton by junk. The China Travel Service takes care of the details of the flow of visitors in and out, including the routine tasks, like sending the passport of a British professor bound for Peking up to Canton and back to Hong Kong so that he will have the visa necessary for crossing the border, and also such odd jobs as receiving and caring for survivors of a Chinese junk hit by an American liner.

The unofficial political representative of Communist China in Hong Kong, a man who in another place would be part of China's diplomatic mission, operates out of the New China News Agency. He is apparently the senior Communist present. The Hong Kong Government deals with him in cases requiring quick action by Communist authorities in Kwangtung Province. During the 1962 Typhoon Wanda, for instance, a situation arose in which Hong Kong had to tell Canton something directly, so the man in the News Agency was asked to pass the word.

Hong Kong's Governor Grantham visited Peking in September 1955 and had lunch with Chou En-lai. No other governor has done so since.

Questions of nationality may easily become political questions in Hong Kong. A resident of Hong Kong can be a citizen of the United Kingdom if he is the offspring of a citizen of the United Kingdom and if he registers and substantiates his claim. He is a citizen of China if one of his parents was Chinese. Almost all residents of Hong Kong are nationals of China but relatively few are, or are eligible to become, nationals of the United Kingdom. On many occasions Communist China has made representations to the British Government claiming to act on behalf of its citizens in Hong Kong, and asserting its right to intervene physically if the United Kingdom could not maintain order. During the 1956 riots mentioned earlier, the Peking radio said that China could not "sit with folded hands and watch its compatriots slaughtered." Communist China has also suggested that its official consular representative be located in Hong Kong. The British have refused this request because such a representative could become the focus for sympathy, grievances, claims, Chinese loyalty, intervention, pressure and agitation in a progression which might wind up with the Chinese consular representative exercising more power than the British Governor. The Communists have not pushed the claim for consular representation because it is not ready to try to take control of Hong Kong and because establishment of such representation would mean, under international law, that Communist China recognized the full sovereignty of the United Kingdom in Hong Kong.

The channels of communication by which British Hong Kong may reach China are not so numerous as those by which the Communists may reach residents of Hong Kong because the labor unions, press

business, movies, clubs and schools of Communist China are closed to British penetration whereas those of Hong Kong are open to Communist influence. The Communists maintain some contacts in each of these spheres and have decisive influence in several organizations of various kinds. They are marking time, however; they could cause constant trouble but they do not. The lines are cast, pro-Peking sentiment is fostered and complaints are registered, but no attempt is being made to land the fish. For instance, the Hong Kong Chinese Reform Association, a Communist front group, held its 13th annual meeting on December 9, 1962, but it limited itself to amending its constitution, forming a medical administration committee, and resolving to expand the recreational facilities of the association.

Communist China seats two representatives from Hong Kong and one from Macao in its Chinese People's Political Consultative Council, which meets in Peking at the same time as the National People's Congress. Once a year representatives from Hong Kong attend the Kwangtung Provincial People's Representative Council.

The Communist Chinese have been hypersensitive about the security of their borders and territorial waters. The border is lined with a high barbed-wire fence, lookout posts and patrols. Vessels straying too near Communist-held territory have been fired upon and some have been seized and their crews and passengers interned for a while. The Macao-Hong Kong ferry was stopped once in 1954. British forces have even been obliged to silence Communist shore batteries which fired on vessels coming to Hong Kong. Such brief altercations have been, however, rare during the past few years and each government is anxious to avoid them.

Communist China is also highly alert to and ready to protest any subversive or political activity in Hong Kong by any foreign government. The GRC is the offender in this respect, as described earlier, and Peking has accused Hong Kong officials of welcoming and harboring secret agents from Taiwan and of being unwilling or unable to maintain order. The Nationalists no doubt do carry on some clandestine operations against Communist China through the colony, but they manage these in the face of vigilant and determined efforts of the British to prevent them. The Communists likewise charge Hong Kong with abetting American "intelligence" activities. It is true that Hong Kong is one of the main centers for the study of Communist China. Thirty foreign consulates and trade commissions have busy groups of economic, political and military analysts looking through the Hong Kong window into China. It is the best place to enter and leave China, to buy Chinese publications and to interview refugees and travelers who have been to China. Foreign newspapers, international press associations, magazines, radio and television companies and private research organizations add to the hundreds of experts collecting materials and writing about Communist China. The British see to it that this is all quiet, absorptive activity and that there is no broadcasting or leaflet passing directed across the border, and the Chinese do not seem to mind "intelligence" on this basis.

Communist China appears willing, for the present at least, to have the United Kingdom govern Hong Kong under the tacit understanding that the administration will be carried out neutrally (as between CC and GRC), efficiently, benevolently (for the Chinese residents), honestly (no graft or unjust enrichment for the British) and without prejudice to Communist China's ability to take over the colony at any time. Mao Tse-tung has no complaint on any of these scores. Such a sweeping endorsement can be sustained only by stressing the relativity of improved living conditions for the refugees. Thousands live miserably in Hong Kong but they do not go back to Communist China except to bring their relatives. Destitute as many are, they nevertheless know, from their own experience or from talking to those who have been in the colony longer, that they are probably better off than they would be back in Kwangtung under present conditions there and that if they stay in Hong Kong they will get a job and eventually move from a squatter shack to a low-rent cubicle and slowly better their standard of living. There are serious shortages of schools, housing, medical care and water but construction, improvement and hope are in the air: 51,000 new places for primary and secondary school children were added during the first nine months of 1961; 14,270 new refugee resettlement units, 8,419 new tenement floors, 8,739 new flats and 3,000 new apartments of various kinds were built publicly and privately in 1961; 1168 new hospital beds became available in 1961 and the first outbreak of cholera since 1947 was quickly contained with only 15 deaths; and pipes and reservoirs and other waterworks were improved and augmented during the same year (all these statistics being in the Hong Kong 1961 Yearbook). The obvious work and achievement on every hand toward better living conditions have kept hopes up, minimized civil unrest and attracted continuing refugee pressure as of December 1962.

It is hard to collect complaints of consequence about the way the British run Hong Kong; ask a Chinese banker or a Chinese Communist in the city, the story is the same. There is law and order, the courts are fair, corruption is "reasonable" and petty, speech is free, the press is responsible and is cautioned by the government only when it lapses into Communist or KMT partisanship, the government budget is balanced, the currency is backed 100 percent in sterling and public lands are leased at public auction. Of course criticisms are heard: taxes are regressive; why should the budget be balanced when there are so many public needs; the laws favor the landlord; and the government is not sufficiently aware of public attitudes. These are the kinds of complaints which originate with educated liberals, not with the masses. Social evils can be readily seen in Hong Kong - a burgeoning, capitalistic economy based on refugee labor is bound to show excesses - but there is rapid movement in the situation and the government, which is not much in business, does not get blamed. In short, the population is rather satisfied with the freedom and stability of British rule and does not care to become involved in local political affairs.

If Communist China suffers the United Kingdom to govern Hong Kong provided it does so without prejudice to assumption of control

by Communist China, what are the specifications of such prejudice? From the Communist point of view, three things must not happen: (a) the colony must not become capable of defending itself against attack from China; (b) there must be no government of and by the Chinese population; and (c) no separatist ideology, counter to the idea that Hong Kong's people belong to motherland China, can be allowed to develop. There is no sign of any of these conditions coming to pass. The defense forces available in the colony are perhaps adequate for internal security but they and the police even have a hard time keeping illegal immigrants out. The colony is governed by its Governor, appointed and instructed from London. The laws of the colony are the laws of England plus others enacted by the Governor with the advice and consent of the Legislative Council. The Governor acts, and he has power to make subsidiary legislation for Hong Kong, after consultation with his Executive Council. The two councils are nominated by the Governor and contain a majority of colonial civil servants. Other members are selected so as to represent typical categories of opinion. The Governor's deputy, the Colonial Secretary, supervises the work of thirty administrative departments. Only three percent of the civil servants, numbering 53,267 in April 1961, are British but they constitute 60 percent of the officers in "administrative and professional grades." The Urban Council, which deals with public health, recreation and resettlement of squatters, has 21 members of which eight are elected for 4-year terms by an electorate of about 25,000 persons drawn from the jury list (15,000), teachers and certain other categories of better-educated, responsible citizens. There are no political parties, not even a "third party" asking a plague on both the CCP and KMT.

Democracy in Hong Kong? No. Self-government for the 3.5 million Chinese? No. Is the situation acceptable to most of the population? Apparently yes; the Chinese understand that if political power were in the hands of the people then the Communists and the KMT would be obliged to fight for popular control. The Reform Club and the Civic Association, small moderate groups who think wistfully of greater self-rule in the indefinite future, joined in 1960 in asking the Colonial Office in London for more elected members in the government councils and for minor broadening of the franchise, but the requests have not been granted. An American official summed up sentiment about pushing for more self-government this way:

"The general consensus among articulate Hong Kong residents appears to be that, under existing circumstances, a change toward more self-rule, while possibly increasing the Government's responsiveness to certain local desires and needs, would yet be inadvisable inasmuch as it might also increase the Colony's vulnerability to subversion and instability, thus destroying the present profitable status quo."

Sympathize then with the dilemma of the civic-minded person who believes people ought to take more interest in public affairs

or the ambitious young man who seeks the responsibilities of elective public office. Fine sentiments in most places, but they are risky in Hong Kong. Sure, public interest and participation in government tend to produce better and more honest officials, but public interest also leads to demands for a voice in decision-making, then to demands for responsibility and then to rivalry between candidates and parties for power. Fortunately for Hong Kong's stability, the same Chinese who say that the Government ought to gradually widen local responsibility and provide for a semblance of the democratic processes also say that one of the troubles in Singapore, the next largest Chinese city outside of China, was that the franchise was opened too wide too soon. Apart from the policies of the United Kingdom and Communist China toward Hong Kong, one of the big uncertainties in the picture is the speed and weight of the growth of the latent desire of the Hong Kong middle class for self-government. New industry is nearly all controlled by Chinese. Economic interests would be served by having political pull or power. At the moment, however, Chinese business and labor are content not to compete in this way but are willing to leave government intervention in the hands of the neutral British umpires.

Staying out of politics is one protection for the cautious Hong Kong Chinese; another is hedging by having friends on both sides, in Taiwan or in the United States as well as among the Communists in China or the pro-Communists in Hong Kong. One can often tell more about the ideology of a Chinese by knowing where his immediate family and his money are than by listening to what he says.

Why does Communist China allow Hong Kong to continue on this tightrope? The main reason is the money it makes from Hong Kong. The Communists earned about \$210 million in foreign exchange in 1962 in Hong Kong, largely through sales of food and cheap clothing. The colony is a window into China, but it is also a vantage point from which China, hemmed in as it is on some of its borders, can look out into the non-Communist world. China gets the benefit of the best harbor in East Asia for its trade and has the port managed for it for a reasonable fee by old and reliable hands. Hong Kong is a pressure release valve; a place to send undesirables and an extra feeding station in times of shortages. It is a good source, as well as a relay point, for gift parcels and remittances back to China. It is neutral ground for receiving capitalist businessmen and dropping feelers for ambivalent Chinese to carry to the KMT. It is a convenient money changer. It is a handy airport from which to catch a plane to anywhere. Hong Kong is not a hostile base. Until Timor, North Borneo, Brunei and Sarawak come to the end of their colonial status Hong Kong is not conspicuous by being the last colonial vestige in the Far East. The population is not unfriendly to Communist China. It adds nothing to the chances of the GRC. To take it before the British lease is up would cause a furor at least as noisy as Goa, and the British and Americans could conceivably get it in their heads to be stubborn. Takeover would mean vanishing prosperity and foreign capital, an additional control

problem and the possibility of a new subversive center. The glitter and prosperity of Hong Kong does make Canton or Shanghai look sick, but there are other such contrasts on the periphery of Communist China. Besides, by letting enough refugees dribble out, such well-being in Hong Kong can perhaps be reduced without killing the gold-laying goose. The Chinese in Hong Kong still think of home; they are not becoming British or a "third China". They are allowed to travel back and forth to Kwangtung and keep in touch with relatives. Some poorly educated Chinese think of Hong Kong as being a big city in Kwangtung. It is not difficult to use local pro-Communist groups in Hong Kong to inculcate suspicion of the British and to preserve interest in and nostalgia for the motherland. On the other hand, so long as economic conditions in China remain as bad as they have been in 1961-62 pride of nation will take second place to self-preservation. The city's existence is mentioned only inconspicuously - much less Khrushchev's above-quoted remark about it - in Communist China's press and publications and its wonders can only be carried within China in the oriental grapevine. If Communist China becomes prosperous enough to do without Hong Kong the colony's people can readily, and probably willingly, be reincorporated, and if that day is long-delayed they can be kept a passive body. China can show interest in the welfare of Hong Kong residents by its protests when things go wrong, by continuing its infiltration of labor unions, schools and neighborhood associations, and by continuing to supply Hong Kong with a substantial portion of its vital water from the Sham Chun reservoir.

No amount of rationalizing of current advantages, however, can obscure the dissatisfaction of Chinese of all political creeds with the loss of Hong Kong to the British and their expectation that someday when conditions are appropriate China will recover the territory. Mao expressed his dissatisfaction as early as the 1930s. Hong Kong will always be a symbol to the Chinese of the indignities suffered by China at the hands of the Western imperialists.

The British will wish to continue governing Hong Kong at least as long as they are wanted by the local population. Beyond this point they will try to hold on so long as the colony is profitable to Englishmen and advantageous to the free world. The colony has paid its way for some time, so far as the United Kingdom Treasury is concerned, but former surpluses are now eaten up by necessary investment in public waterworks, refugee housing, schools and medical facilities. All land in Hong Kong is owned by the Crown. The Government has great potential assets in the remaining extensive unleased Crown lands which it is gradually leasing to pay for capital projects. The private British businessmen in Hong Kong continue to do well. Estimates of private beneficial British ownership of Hong Kong wealth vary up to 40 percent, and accurate figures apparently do not exist, but a good guess would be 20 percent. Such a figure may be misleading in at least two ways if one is using it to calculate how eager the British are to stay in Hong Kong. It neglects the trend in British ownership, which is downward as local

Chinese buy shares in British enterprises newly opened to public subscription. Such a trend may indicate hedging against the end of the Hong Kong lease. On the other hand, British control in such lucrative and strategic enterprises as utilities, banks, insurance, docks, real estate and hotels is not much diluted by public offerings of shares to a lot of small investors.

British policy in Hong Kong by no means carries the implication that takeover by the Communists will be soon. The Hong Kong 1961 Yearbook gives no inkling that there is any political problem with either China or that there is concern in Hong Kong about its future. The Government has been astute in avoiding provoking the Communists while developing in the growing middle class incipient feelings of loyalty to and pride in Hong Kong. Government school textbooks do not mention the Opium Wars. Much effort has been put into filling responsible government posts with well-trained Chinese. Crown leases are granted for 75 years, renewable for another 75, except for New Territories lands which are leased until three days before the end of the lease from China.

On November 24, 1962 the head of Jardine, Matheson & Co., one of the big British companies operating in Hong Kong, made a speech in London in which he said that Hong Kong should eventually negotiate its future with Communist China, not waiting until the New Territories lease expires in 1997. Naturally this caused a stir in the colony. There was no comment from China. The heavy weight of opinion in Hong Kong ruling circles was that if Jardine's had in mind talks in 1990 this would be all right but talks in 1963 or 1973 would be far too early. Who can see ahead 35 years? Such talks could not be kept secret; the fact of them would cause nervousness; business and investor confidence is too fragile; and the Communists would feel obliged to take a stand, which could hardly result in a better posture for Hong Kong; so the reasoning goes.

The British go to considerable lengths to avoid provocation of Communist China. When a superintendent of police was found to be a Communist spy in 1961 he was not tried, just deposited on the north side of the border. A medical researcher investigating reports of unusual numbers of cases of liver enlargement in Communist China was refused permission to examine systematically chest X-ray pictures taken routinely of refugees. Hong Kong University and other colleges subsidized by the Government are not encouraged to do research on Communist China. The watchword of British policy in Hong Kong might be circumspection: things are going all right; let us avoid nettling the Communists and see whether we can preserve the present advantages.

2. Trade, Industry and Water - Communist China and Hong Kong are economically dependent upon one another. For the present Hong Kong is nearly indispensable to China as a source of foreign exchange which China must have to buy food and fertilizer. For the next few years China will be vital to Hong Kong as a source of water, as it was in 1962 when it supplied one-third of the colony's total needs

over the year and half during the dry period in the winter. China trades more with Hong Kong than with any other non-Communist area. Hong Kong imports more from Communist China than from any other place, mostly food and textiles. The nature of trade has changed radically in the last 23 years. In 1938, 40 percent of Hong Kong's trade was with China and the goods passed through Hong Kong rather than stopping or starting there, with Hong Kong living off its percentage for handling them. In 1961, eleven percent of Hong Kong's trade was with Communist China, but 17 percent of all Hong Kong's imports came from China, nine percent of its re-exports went to China and direct Hong Kong exports to China were negligible. In other words, Communist China has been increasingly by-passing Hong Kong in dealing with the rest of the world but has been selling more directly to Hong Kong and is maintaining an export surplus with Hong Kong which will be about \$210 million in 1962. This change in the pattern of trade no longer hurts the colony, which has expanded its trade with other countries, increased its own industry to the point where 70 percent of its exports in 1962 were made in Hong Kong, and expanded tourism to second place after textile exports as a source of earnings.

Hong Kong was prosperous in 1962, but even if Communist China continues to cooperate fully in economic matters the colony will have serious problems: labor costs are rising, 42 percent of the population is under 14 years of age and so the job needs will soon spurt, and most workers are still living in crowded tenements or squatter camps. If Communist China chooses to make trouble the weapons are at hand: cut off water from north of the border, stir up labor trouble, increase the flow of refugees and interfere with shipping.

Hong Kong is at the mercy of China in these respects, but this has been true for most of the time since the Communists came to power, and therefore the crucial economic question for Hong Kong's future is how badly Communist China will need Hong Kong as a place to earn foreign exchange. This depends on whether alternative earning sources develop and on whether Communist China's internal economic development proceeds satisfactorily. China has published zero statistics on its trade for the last two years. Only a sketchy picture can be made from collecting bits of information from all over the world. A guess from that process is that half Communist China's trade has been with the Soviet Union and Eastern Europe. This portion has been falling off rapidly as the Sino-Soviet dispute has worsened. The other portion, with Western Europe, Japan, Canada, Southeast Asia and Hong Kong, has therefore been growing. Hong Kong may be buying one-fourth to one-third of China's exports now. China needs the trade and remittance surplus from Hong Kong to pay for the deficit incurred in buying grain from Canada, Australia and France. It is hard to think of a reason why Hong Kong's need for food and cheap textiles from China should decline, or why some other country (with the possible exception of Japan) should quickly become a better customer for such items, so if Communist China continues to want to

sell, this particular uncertainty in the colony's future is not too discouraging.

One is led, then, to examine the prospects for China's economic recovery from the failure of the "great leap forward" in order to forecast Hong Kong's future. How much longer will Communist China need to sell to Hong Kong in order to buy food from abroad? This is a vast subject. Information is fragmentary. One must rely on the judgment of experts who themselves feel uncertain. As of December 1962 one may guess at the situation as follows. 1962 saw some recovery of agricultural production over the previous year but production is still behind the peak year of 1957. Nearly as much grain must be imported from abroad in 1963 as was imported in 1962 (4.5 million tons). The recovery in industry, except for some sections of heavy industry, lags behind agriculture. The years 1959-62 were years of loss and set-backs for the Chinese Communist Party. Aside from the physical shortfalls in desperately-needed goods, the losses in general morale, enthusiasm of youth, Party fervor, and faith in Mao and the top leadership are incalculable but were no doubt great. CCP control was, however, never in jeopardy. This suggests that Communist China should be regarded now, for forecasting purposes, as a large underdeveloped country which has the familiar problem of raising its agricultural productivity sufficiently to amass surpluses which can pay for its needed industrialization. Balancing its assets (a hard-working, resourceful, nationalistic, cooperative people, large mineral resources, and a belated recognition that agriculture comes first) against its liabilities (the population outburst, a doctrinaire, ill-informed leadership, and a lingering faith that heavy industry means salvation) the crystal ball shows China slowly making economic progress and all the while talking confidently and aggressively. It indicates a decade or so, at least, during which Hong Kong will continue to be very important to Communist China as a source of foreign exchange earnings which China will need to pay for its vital imports.

Direct ownership by Chinese Communists of enterprises in Hong Kong is small, perhaps two or three percent of the total, and is confined to the Bank of China, stores, minor manufacturing establishments, a bakery, movie houses and a few newspapers. The colony's fishermen must share catch and fishing grounds with China's nearby fishing communes and so the Hong Kong Government is trying to develop deep sea fishing to eliminate this dependence. Communist economic activity has a political flavor to it usually, such as buying out a small insolvent factory to "save the workers," but no one in Hong Kong seems worried about it. In labor also the Communist danger is potential rather than present. The mass of labor is not organized. Within the part that is organized the unions are political in their motivation and the CCP has the edge over the KMT. The Communist-controlled Federation of Trade Unions (FTU) (shipyards, government installations, utilities, seamen and some textile factories) is numerically stronger and better organized than the pro-Nationalist Trades Union Council (TUC) (restaurant workers, construction workers,

handicraft workers and stevedores). The FTU has been expanding slowly, but Communist control is not complete in most so-called Communist unions. The Hong Kong Government supervises union activities strictly to prevent the use of strikes for political purposes. Labor peace has prevailed for the past two years. Amicable wage increases have been negotiated. This condition may last as long as the colony is prosperous because it is hard to get union members excited about non-economic issues so long as wages keep up with the cost of living. Unemployment in Hong Kong has been small (20,000 in March 1961) compared to the size of the population. Nevertheless it must be remembered that Communists have the power to create labor unrest.

Hong Kong retains considerable importance for Communist China as an entrepot (processing and handling point) for China's exports to non-Communist markets even though other Communist ports are being developed. Hong Kong is a convenient place to do business and handy to China's semi-annual trade fairs at which most trade contracts are made. The 1962 fall Canton fair had 2,600 overseas visitors. Hong Kong businessmen say there is little politics in trade contract talks except for occasional Communist assertions that they can buy anything they want and that the embargo and controls of the United States do not bother them. The Bank of China, one of the large banks in Hong Kong, has among its functions the financing of China's foreign trade, the channeling of remittances from overseas Chinese to relatives and friends on the mainland and dealing in the foreign exchange market.

Hong Kong's lack of sufficient water epitomizes its vulnerability to Communist pressure. The colony has no natural ground water and must depend on reservoirs to catch the spring and summer rains and hold that water for rationing during the balance of the year. Reservoirs are expensive and difficult to build because only 60 out of the colony's 391 square miles are not mountainous, and the capacity of reservoirs has always lagged behind demand. The Government is taking energetic steps to solve the shortage eventually by elaborate schemes, one of which is to dam an almost land-locked bay to form a fresh water lagoon. New desalination processes might help someday too. Meanwhile, Communist China has built a reservoir just over the line north of the New Territories with plenty of water for Hong Kong. The Communists offered this water free. An agreement was made in 1960 between Hong Kong's Public Works Department and Po On County officials (the low level of the agreement underlining Hong Kong's desire to keep it non-political) whereby Hong Kong will have the right to draw five billion gallons per year and will pay per gallon what it costs Hong Kong to deliver its own water. This arrangement, from the point of view of Hong Kong, puts the colony under less obligation to Communist China, cuts down the propaganda value to the Communists and makes them think twice before cutting off the water. For an indefinite period, as long as ten years, however, Hong Kong will need water from China.

3. Refugees - Under the original agreement ceding the island to Britain the Chinese were to have unrestricted access to Hong Kong. The British abided by this agreement until May 1950 when refugees from Communist China finally overwhelmed the colony's capacity to cope with them and chaos threatened. The rule was made that residents of neighboring Kwangtung Province, fifty a day, could enter Hong Kong and return. This number entered daily but few returned. In 1956 a relaxation was tried but the flow became so great that the limit had to be reimposed. Communist China protested the fifty per day rule from the outset but they have done nothing more about it (unless May 1962, considered next, is counted as an attack on immigration restrictions). Communist border guards have always taken back persons whom Hong Kong authorities have certified were criminals, political agitators and illegal immigrants across the New Territories border. Illegal immigrants via Macao are returned to Macao. The British are quite sporting: if a refugee manages to mingle in the Hong Kong population without any public notice being taken he can emerge after a short time and apply for a registration card. In spite of United Kingdom restrictions since May 1950, refugees numbering in the neighborhood of 300,000 came in between that cutoff date and the beginning of 1962. Over one million refugees came between the end of 1948 and the end of 1962.

In April 1962 a new dimension to the refugee problem was thrust forward. Much has been written about the April-May unexpected torrent of refugees. Hindsight helps form the judgment now that Communist authorities did not plan to inflict such a crisis on Hong Kong but that a general relaxation of discipline within Communist China, necessitated by the failure of the "great leap", got out of hand. At any rate, the Communist authorities heeded Hong Kong's protests and closed the border so that it returned to normal.

Is the refugee problem going to remain normal, say 25,000 illegal immigrants annually (on top of 35,000 legal immigrants)? The figures for 1962 are worrying the Hong Kong Government greatly. A population increase of 272,000 is expected for 1962. 90,000 births in excess of deaths are forecast. 37,000 legal immigrants. That leaves 145,000 of the total increase as illegal immigrants of which it is thought 65,000 came in May. This means that 80,000 came in through Macao and other illegal avenues. Hong Kong authorities have now put on extra police patrols trying to stop Macao junks from landing in the colony. Stiff prison sentences are being given (six months to two years) in Hong Kong courts for "aiding and abetting illegal immigrants". Many questions about this continuing large refugee influx via Macao are unanswered. Will extra police be able to reduce the flow substantially? How many refugees enter Macao with exit permits from the Communists? What share of the \$60-\$100 fees paid by refugees to Macao "travel agencies" go to Communist China? To what extent is this illegal flow sanctioned by Kwangtung Province officials? To what extent is it known to and endorsed in Peking?

For the reasons already given, concerning Hong Kong's usefulness to Communist China, it seems unlikely that China has decided to end the colony's free life by quietly swamping it with refugees. If the flow continues heavy, however, another possibility must be considered, that China has decided to dampen the prosperity of Hong Kong in this way (which avoids the bad publicity of a mass entry) without at the same time causing panic in Hong Kong or otherwise seriously jeopardizing the economic advantages which China has in the colony.

4. Attitudes of Chinese in Hong Kong - Some observations on this topic have been made above. It has been pointed out that the Chinese in Hong Kong, of whatever political views, are not, for a variety of reasons applicable in different measure to different groups, agitating to change the present relationship between the colony and Communist China. It is easy to see why residents who were here before 1949 and who have prospered far beyond their previous expectations or attainments in China have a vested interest in Hong Kong as it is today and would perhaps rather not think about Communist China. Putting this group to one side, there is left the majority of the population of Hong Kong, including the refugees who came there since the Communists took power. What are their attitudes toward Communist China? Many Americans have the impression that refugees: (a) hate Communism, (b) fled to find freedom, and (c) never want to return until the Communists are overthrown. In short, we are prone to think of them as political refugees. No doubt some refugees fit this description. Without attempting any systematic discussion, however, it should be said that this is an oversimplified image. Many refugees came primarily for economic reasons, never having experienced or heard about Western democratic freedoms. As Chinese, with the usual deep attachments to their culture and country, many would like to go back as soon as economic conditions permit. They are proud that China has at last been unified and can hold its own among other nations. China is the only place which is home and they want to be there, so long as living is tolerable, even if the government is unsatisfactory. For the time that they can stay in Hong Kong, near China, in a Chinese community under relatively improved economic circumstances, this is the next best thing (and better than moving on to unknown lands), but for many it is a temporary expedient and they are homesick.