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The Hong Kong Situation I:  
Impasse

10-B, 109 Chatham Road,  
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Hong Kong.

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Dear Mr. Nolte,

The disturbances in Hong Kong did not begin with the suddenness of last winter's riots in Macao, nor were indications that trouble was on the way lacking. Probably a majority of Chinese residents in the Colony had long expected that the Cultural Revolution in China and the successful left-wing seizure of power in Macao would have repercussions of some sort here, and many Westerners felt the same. There was evidence many months beforehand that something was in the wind, and when the noisy strikes finally erupted into violence it was met by what was probably as well-drilled a police force as has ever been deployed against rioters in any part of the world. Nonetheless, the writing was on a wall that most careful observers had long ago covered with graphs marking the course of China's foreign trade; such was the confidence that the balance of advantage in the Colony's continued existence and prosperity lay in China's favour, that the realization that activists among the local left-wing were quite prepared to jeopardize the status quo came as a considerable shock for the whole population.

Four months after the first violence broke out the shock has been largely absorbed, and the community has reacted with a resilience surprising to many observers both within and outside it. Yet no end to the disturbances is in sight, despite the fact that the present instability can do nothing but damage to the interests of all parties concerned. Rather, as time passes and the situation becomes more complex, possible initiatives for breaking the deadlock seem harder and harder to grasp.

In this Newsletter I shall give a brief outline of the course of the disturbances to date, introducing some of the more important factors which seem likely to control future developments. In further Newsletters I shall examine some of these factors in greater detail.

As was the case in Macao, it appears that the left-ist campaign in Hong Kong was planned without the consent or approval, let alone the active participation, of those authorities in China whose business it is in normal circumstances to manage relations with Hong Kong - the Ministry of Foreign Affairs, and the Commission on Hong Kong and Macao Affairs which is believed to exist within or beside it, in Peking, and the Provincial Government in Canton. However, it seems that these bodies must have known of the plans, and it may be that the political situation in China simply precluded their taking any preventive action - indeed it is more than likely that the more extreme party in the Cultural Revolution gave at least moral support to the Hong Kong disturbances. Certainly, from an early stage of the development of the Cultural Revolution, divisions had made themselves felt in the ranks of the Hong Kong left wing, veiled though these were from the outside world. It is a nice question whether the influence of the movement in China spread here through individual Hong Kong left-wing leaders with close connexions on the mainland, or whether the tone of the mainland press and other Communist Party media was enough to show which way the wind was blowing. At any rate, the local leftists began to present an increasingly "Maoist" facade to the community, behind which pressures on individuals to join the ranks of the "revolutionary rebels" were felt.

As in Macao, there seems to have been a natural enough division along lines of economic interest or function between supporters and opponents of the Cultural Revolution in Hong Kong, though the numerical strength and organizational complexity of the left wing here makes it difficult to generalize with any certainty. More personal allegiances have also played a part, particularly in leftist alignments.

Broadly speaking, on the revolutionary side there were ranged the trades unions (it may be significant that the first overt moves were made by them), the teachers and their students, and the majority of the journalists, including both the staffs of local newspapers and the Hong Kong representatives of the Hsinhua (New China) Press Agency. On the other side, not unexpectedly, were the commercial men and the bankers, and possibly many workers and members of unions connected with leftist commercial

enterprises. The merchants, of whom there are a considerable number, great and small, represent the same sort of interest as was epitomised by Mr. Ho Yin in Macao, though there is no one leftist business man in Hong Kong who has ever acquired such a dominating position. The bankers, on the other hand, are by no means all entrepreneurs, many of them being salaried officials. Either recruited locally (often kept on from pre-1949 days) or sent from the mainland, they represent a sort of Chinese civil service here, managing a vital sector of China's interests in the Colony (and the first sector to suffer from the effects of the Cultural Revolution when the remittances from Hong Kong and Overseas Chinese began to fall off about a year ago - see ARD-15). Their reluctance to support an extension of the Cultural Revolution to Hong Kong can be attributed to professional as well as personal considerations.

Before the fall of Mr. T'ao Chu in late 1966 made the first major breach in the solidity of the Party establishment in Kwangtung Province, the more conservative elements in the Hong Kong left wing seem to have held the ring. Thus, according to Mr. Lau Yuet-sang, former chief reporter of the leftist Wen Wei Pao, who fled to Taiwan last November, plans for the implementation of the Cultural Revolution in Hong Kong were discussed by the journalists who went to China for the National Day celebrations last October, but it was later decided by "the Chinese Party authorities" that the plans should be postponed. However, the fall of Mr. T'ao left the principal connexions in Canton of the more conservative leftists without a leader, and they seem to have been less and less able to hold their own, particularly after the spectacular leftist success in Macao. (In fact the Kwangtung bureaucracy itself seems to have resisted the Maoists fairly successfully until well into this summer; the present strife in Canton and elsewhere in the province suggests that the Maoists still have an uphill struggle there against the provincial Party and government officials and, perhaps, against the weight of an easily aroused local separatism).

The decision to go ahead with the revolutionary plans for Hong Kong was probably taken about Christmas. It was almost certainly a local one, and doubtless owed much to the left-wing successes in Macao. For reasons discussed in my last Newsletter, the leftist action in Macao was supported both in Macao and in Hong Kong by a good deal of non-leftist but anti-Portuguese public opinion, which may well have inflated leftists' estimates of their popularity here.

The opening phases in the campaign against British authority were largely exploratory. The first shot, in fact, was in some ways oblique to the main line of fire -

a strike called by the Hong Kong Seamen's Union against a Netherlands shipping company which has its headquarters here and largely employs local crews, the Royal InterOcean Lines. The union made a number of demands in respect of an incident which occurred on board the s.s. Straat Malakka in Brisbane last December, when the master was said to have opened fire with a revolver on some of the crew during a dispute. The company's reluctance to meet the union's demands was characterized as an "imperialist plot" in February, and an anti-oppression committee was formed, which organized a successful boycott. The Chinese Seamen's Union cabled its support from the mainland. Eventually the company gave in to the union's terms, which included a full apology which had to be read out by the managing director to members of the union and was subsequently published for several consecutive days in both English and Chinese newspapers.

There were other disturbances on ships crewed from Hong Kong during April. Meanwhile, a dispute was developing among the employees of two Hong Kong Island taxi companies, owned by a family named Wu, over the reinstatement of a dismissed employee who belonged to a left-wing union. A go-slow strike, later extended on a different pretext to the Wus' Kowloon company, while not joined by all the drivers, was nonetheless effective enough to force the owners to act. The Wus closed down their Hong Kong business altogether, selling the cabs on easy terms to such drivers as were able or willing to buy them, and they met all the union's demands in respect of the Kowloon firm.

Similar tactics were employed by managements in a number of other strikes which took place in April and early May. Plants and factories were closed and workers dismissed, the more reliable ones being re-employed afterwards - a policy which appears to have had the tacit approval of the Hong Kong Government, though it carries with it the menace of an unemployment problem, the more serious because only leftists would be affected.

The political character of these labour disputes was apparent from the very beginning. It was notable that in several of them the casus belli was an allegation that personal violence had been offered to Chinese workers by European supervisors (in several cases these allegations were apparently uncontroverted by the companies concerned). At meetings the works of Chairman Mao were written on banners and placards, and long readings from them, together

with the shouting of slogans, characterized interviews between the strikers and their employers. A further common factor of the disputes was the refusal of the left-wing unions to accept the good offices of the Labour Department (mediation or arbitration in labour disputes is on an entirely voluntary basis in Hong Kong), which was not in accordance with their earlier practice. It was also noticeable that when once the strikers had been met with force on the part of the police, and left-wing agitation began to focus on the more directly political issue of police actions, most of these labour disputes became of little interest to the leftists, and some of them were settled.

It seems that the object of these strikes was to probe for the various reactions of the Hong Kong Government, the employers, and the right wing unions to labour unrest of a pronounced political flavour, as well as to prove the power of the leftist unions. Some uncertainty as to the likely reactions of the British authorities is understandable, for they had not been confronted with trouble on this scale from the left for eleven years. British policy had been indulgent towards leftist political organization in recent years, and there had been no attempt to check the spread of Communist teachings or beliefs. The exact nature of a British response to a serious challenge would have been hard to assess accurately, particularly for people as ill-informed as the Hong Kong leftists about the nature and processes of the Colonial Government. A further factor which had to be taken into account was the likely loyalty of the police, who were widely believed before these disturbances to include in their ranks a large proportion of leftists.

Once the affair was elevated to the political plane, the whole left wing became involved in a "mass struggle". Events moved fairly fast and showed a considerable degree of preparation. The Hong Kong and Kowloon All Circles Anti-Persecution Struggle Committee was formed, to include about 130 leading leftists and many merchants whose trade with China depends on the redness of their public images. As in the case of Macao, a set of demands was put forward on 12th May, though they were rather less extravagant than the ones made of the Portuguese. The Hong Kong Federation of Trade Unions demanded that the Government should: (1) Stop the "bloody suppression" of workers of the Hong Kong Artificial Flower Works (where the first violent clashes took place); (2) Release all people arrested by the police during the disturbances; (3) Punish those who were responsible for making the arrests; and (4) Make an apology and confession of errors.

On 15th May the Chinese Government presented its own demands to the British Government, thus formally espousing the cause of the local leftists. These demands were that the Hong Kong authorities should: (1) Accept all just demands put forward by Chinese workers and residents in the Colony; (2) Immediately put an end to all "fascist" measures; (3) Immediately release all arrested persons, including workers, journalists and photographers; (4) Punish those responsible for "bloody atrocities", apologize to the victims and pay compensation for all losses; and (5) Guarantee that no further such incidents would occur.

Various explanations for the Chinese Government's intervention suggested themselves, including a number of unrelated minor sources of friction between British and Chinese interests, such as the continued presence of U.S. warships and troops on recreational visits from Vietnam, the tightening up of the system of "comprehensive certificates of origin" and other restrictions on the re-export of Chinese goods, an unsuccessful lawsuit by a Chinese mainland bank against a largely British-owned company, in which the merits seemed to be largely on the Chinese side. Even without these irritants, though, it seems safe to assume that China would have felt bound to take up the cause of the local leftists, for much the same reasons as I suggested prompted her to back the leftist action in Macao.

Confident of the "full support" of the People's Republic (the exact terms of this support were never made very clear to the local leftists, it seems, and some of them may have believed that military intervention was not excluded) the campaign went ahead. Demonstrations, usually accompanied by some violence against the police, took place in various parts of the Colony, culminating in the widely publicized rallies outside Government House, where posters were plastered over the exterior of the front gates and lodges.

As many Hong Kong leftists have come to realise - and it is reported that this is now the view of high authorities in China - the virtually unchecked demonstrations outside Government House were in some ways the most impressive achievement of the struggle. It was one thing to paste posters onto a bank or a post-office, quite another to cover the very seat of British authority with them while military sentries and policemen looked on - and it mattered little to the participants whether the passive attitude of the latter was prompted by indulgence, caution, fear of violence, or, as they would have wished, awe at the strength of the masses armed with the thought of Chairman Mao.

However, the Struggle Committee failed to take full advantage of this potential psychological victory - perhaps because of poor planning, perhaps because they did not really grasp the likely effect on the British of their attack, perhaps because they were misled about the nature of China's support for their cause (which at this stage was fairly spectacular, involving an attack on the British diplomatic office in Shanghai). Instead, mistaking the forbearance of the local authorities for weakness or fear, they mounted further and increasingly violent demonstrations in the centre of the city section of Hong Kong Island. Somewhat clumsy and inept attempts were made to win over the Chinese rank and file of the police, who were at the same time being subjected to severe strains on their patience. Eventually these demonstrations led to massive and fairly brutal police repression (though very few people were killed in the streets).

Both the solidarity of the police and the wholly unprecedented adverse public reactions to the rioters' violent tactics seem to have taken the leftists by surprise, and from then on their campaign changed its emphasis. Measures were taken by them with the object of disrupting not just the British administration, but the whole life of the Colony, little heed being paid the convenience or otherwise of the public. While leftist statements and propaganda continued to regard the conflict as one between the British imperialists and their running-dogs on the one hand, and the patriotic masses on the other, leftist tactics clearly abandoned all hope of winning over mass support or even trying to maintain popularity. Thus the transport strikes of late June and July, based partly on the payment of handsome strike pay (often considerably more than the ordinary monthly wage) to bus and tram drivers, and partly on intimidation, were candidly directed against the life of the community rather than against the commercial interests of the employers. The same was true of the strike of seamen and stevedores which was intended to disrupt port working - on the whole with little success, though a good deal of inconvenience was caused for a time to some ships by crewing difficulties. Besides causing a good deal of inconvenience and expense to the working public, who were forced to crowd into private taxis and cars run at great profit, the bus and tram strikes seem to have led to a gradual increase in violence and terrorism, directed at first at strike breakers and at vehicles that continued to run. Bombs began to be thrown more and more frequently - the first ones being little more than fireworks. (There was never

any evidence that any of them came from China). By the middle of August quite powerful bombs were being made, some of gelignite stolen from construction sites - a danger which the Government, by a piece of unusually crass incompetence, had overlooked. Together with a large number of suspicious-looking objects designed to hoax the police, these powerful bombs were left in various places, usually near public buildings, presumably with the object of causing inconvenience rather than loss of life. At times during August the police and military explosives experts were called out fifty times in a day.

After the police first took determined action against the rioters the Government, perhaps also agreeably surprised by public reactions, began to pursue a much firmer line. The Governor even felt confident enough of the situation to go on leave for eight weeks, ostensibly because his previous leave had been curtailed. A number of emergency powers were conferred on the police and the courts to enable them to deal more effectively with disturbances. Riots and demonstrations were confronted and suppressed, with whatever force seemed necessary, wherever they took place, and large numbers of people were arrested. Many rioters were severely beaten-up after arrest, pour encourager les autres - a fact that caused great bitterness among the leftists, and which may in part have led to the sudden retirement "on health grounds" of the Commissioner of Police.

The police also started to raid the premises of left-wing organizations, schools, shops, cinemas and the like, in order both to prevent these from being used as sanctuaries and arsenals for such weapons as sharpened files and lengths of steel piping, and also in order to round up large numbers of leftists for questioning (such detainees received much better treatment where police entry was not resisted, but in one or two cases there were considerable sieges).

Although, after consideration, no statement was made to that effect, Government policy tried to draw a careful distinction between what it regarded as permissible and impermissible acts of the leftists. Thus no ban was ever placed on the dissemination of the works of Chairman Mao, and while police tore down posters which carried "inflammatory" statements, those which simply quoted the Chairman's sayings or which carried a merely "patriotic" message were left intact. There were orders not to violate pictures or busts of Chairman Mao, too, though doubtless they were not always obeyed. The Government for a long time gave immunity to the leftist newspapers, and the three

principal ones are still in operation, their premises never having been searched, though notice of possible action was served when the authorities closed three minor papers, and after a series of proceedings against the papers and their editors for sedition and other offences, suspended them for six months. The most carefully respected immunity has been given to the banks, however, which are, of course, like the Hsinhua Press Agency offices, the premises in Hong Kong of Chinese Government institutions.

These limitations on the sphere of Government action were imposed primarily with the object of impinging to the least possible extent on the direct interests of the Chinese Government, while making it clear that the actions of local activists would not be tolerated. Although there are some senior officials who are opposed to the idea, it seems that the Government would not be averse to negotiations of some sort with the Chinese representatives and with the local leftists, if it seemed that a real possibility existed that such negotiations could prove fruitful. At all events, it is clear that the authorities here have tried to leave some lines of approach open, and have tried to avoid creating a situation in which negotiation is impossible. (How successful this policy has been is another matter). Throughout the first two months of the disturbances, moreover, the Government continued to address requests to the Chinese authorities for an additional sale of water to the Colony, which was suffering from the effects of a dry "wet season". The fixed annual amount supplied under the standing agreement had already been used, and further supplies were not due until October. The Chinese authorities made no reply to the requests, and stringent water-rationing had to be imposed - a four-hour supply on every fourth day.

As success in disrupting the order and the social and economic life of the Colony eluded the leftists, and as the sheer expense of their operations began to tell, it seems that a decision was taken, probably in China, to shift the main focus of attention away from Hong Kong internal affairs to the border between the Colony and China. The first serious incident took place there on 8th July. Three Chinese constables of the Hong Kong police were killed by light machine-gun fire from the Chinese side after they had been surrounded, without firearms, in a border police post in the small township of Shataukok, where the frontier runs down the middle of a street. After British army units were moved up to positions along the border (their first involvement in the situation, for they had not been called out in the earlier rioting), the situation quietened down, and while there were other border incidents, nothing serious took place there until early August.

Subsequent border incidents have included two bizarre occasions when British soldiers and policemen were disarmed by crowds (they have been under instructions to show the greatest restraint) and "agreements" were signed, the first following a reasonably amicable parley between British and Chinese army officers, in circumstances which were never quite made clear. The second "agreement" was the result of a rather uglier situation in which several British officials - army and police officers and the civilian District Officer of the area - were held under threat of physical violence throughout a whole night. The District Officer finally wrote out and signed a "letter of apology", and the commander of the army detachment signed a receipt after the return of the weapons seized. The apology was repudiated next day by the Hong Kong Government as having been signed under duress. The object of these exercises in humiliation was probably to score a moral victory that would divert attention away from the discomfiture of the leftists in the Colony, and there seemed for a while to be grounds for thinking that the border incidents formed part of a plan which would open a line of withdrawal for the leftists, after further and more spectacular "victories" over the British - perhaps even a miniature version of the 1962 invasion of India - had prevented too great a loss of face for those who had armed themselves with the thought of Chairman Mao.

There were certainly indications at the time that something of the sort had been planned, though it seems that the plans must have been subsequently abandoned, or at least put in cold storage. They would have offered all parties in the leftist camp many advantages. For the Chinese authorities there was the dual advantage of being able to control the course of events rather more closely than had been possible in Hong Kong itself, and also to place the credit for the final victory on the mother country. For both the violent and pacific wings there were advantages - for the former that supportive action would be taken, for the latter that action would be taken for which they would not have to bear any responsibility, offering the possibility of an end to the whole affair.

The British authorities dealt with the events on the border with extreme caution, while maintaining (not altogether realistically) that they were entirely the work of civilian troublemakers and Red Guards whom the soldiers of the People's Liberation Army were trying to restrain from crossing the frontier. (Had this really been the case none of the incidents would ever have come about; they were certainly not the work of the local peasants who live near the border, and the Chinese authorities

could certainly have prevented others from reaching the area if they had so chosen; nonetheless, there probably were some disagreements between the army commanders and the "broad masses" about the nature and extent of various actions, and at times it seems that the soldiers actually performed the role in which the Hong Kong Government spokesmen cast them.) Whether British caution on the border in some way made impossible or unwise the implementation of the plan to which I have just referred is hard to say, for with the increasingly apparent confusion in Canton in August, and the unfathomable manoeuvres of the authorities in Peking, there are too many variable factors in any assessment of possible Chinese foreign policy to permit confident analysis.

The last ten days of August saw important developments in the situation. First, Severe Tropical Storm Kate brought the Colony over five inches of rain (augmented a few days later by a further four inches), easing what had threatened to be a critical water shortage. For the immediate future the Chinese authorities were deprived of a considerable bargaining point, but at the same time this made it possible for them to discharge their contractual obligations in respect of water next October without appearing to let down the local leftists.

Second, what had appeared to be a somewhat futile campaign of terrorism with bombs assumed a tragic aspect when two small children were blown to pieces by a package which they picked up in a politically insignificant side street. Such was the public revulsion and anger that the editor of the leftist Ta Kung Pao took the unprecedented step of calling a press conference, with the apparent intention of denying responsibility for such bomb outrages as this one. His efforts might have been spared. The well-planned and exceptionally brutal murder of a popular radio figure, Lam Bun, who had made too good a job of satirizing the leftists in his daily programme, probably did more harm to the leftist cause than any other act. There was no disowning it, either, for one of the Ta Kung Pao's rivals, which had given very little space to the press conference, announced that the attack on Lam and his cousin was the justified "punishment" of an enemy of the people.

It was against this background in Hong Kong that the attack on the British Office in Peking took place, though the extent to which the attack was related to a careful appreciation of Hong Kong events is doubtful. The ultimatum from the Chinese Foreign Ministry (at the expiry of which

the assault began) related to the closure of the three minor leftist newspapers to which I have referred, and besides demanding that the ban be lifted it called for the release of the various journalists who had been arrested in connexion with the case. In fact all but one or two had been released on bail some days before the ultimatum, and one of the impressions left by the outrages in Peking is one of poor communication and possible miscalculation; indeed the whole episode may very well be only easily explicable in terms of Chinese internal politics.

Since Mr. George Brown's letter was sent to Peking, suggesting that some way be found of improving relations between China and Britain, there have been no new or spectacular developments in Hong Kong. It is fairly widely assumed here at present (the assumption could change), as much by leftists of various factions as by the authorities and the rest of the community, that a settlement of difference between London and Peking, or at any rate an understanding, must inevitably precede any local peacemaking. At present little is being done by either side in the Colony to explore ways even of lowering tension. The Government as yet sees no reason to call a halt to police pressure on the leftists (raids on leftist premises tend now to occur in proportion to incidents caused by or attributed to the leftists) and prosecutions are going ahead with most if not all of the solemnity of the law. The leftists have maintained a continuing trickle of bomb incidents, and enough public demonstrations (of a new "instant" kind that form and disperse within minutes, usually before police are on the scene) to maintain a semblance of struggle. Sometimes there is almost complete quiet for several days at a time, and these may reflect the furious altercations that are known to divide the leftists.

There are indications that some comrades are already being criticized at the instance of authorities on the mainland, who have sent more than one group of inspectors to Hong Kong to provide a more accurate assessment of the situation here than the reports of the rival local factions. Some leftists believe that the criticisms are a prelude to a public criticism of the leftists in Hong Kong as a whole, possibly in the form of an editorial in the Peking People's Daily, for their failure to study and learn from the thought of Chairman Mao before launching their anti-British struggle. Such a criticism would in effect mark the end, for the time being, of actual struggle tactics, though some form of continuing vendetta campaign against the Hong Kong police cannot be ruled out. (It is also not certain how far the Chinese authorities and their representatives in Hong Kong would be able to control the activities of all supporters of the anti-British struggle.)

Many people feel that the Chinese authorities would like to resolve the present problem in Hong Kong before October 1st, and optimists still feel that they will find a way of doing so. However little Peking may have seemed to care for economic matters during much of the Cultural Revolution, there are indications now that a considerable effort is being made to hold the usual Autumn Trade Fair at Canton in the normal way. The Fair is at all times of great importance to China's economy and prestige as a developing country; this year it will have much deeper implications, and its cancellation or even postponement would be tantamount to an admission that the Cultural Revolution had hindered rather than helped the national growth. While reports from Canton have it that Premier Chou En-lai has ordered that the Fair must be held at all costs (and the price of restoring order in Canton now may be high), there are as yet no firm reports of invitations being issued.

Hong Kong's troubles are closely bound up with the problem of the Canton Fair. Quite apart from the need to create a climate of confidence for the important local buyers of Chinese produce, the great majority of foreign business men coming to the Fair pass through Hong Kong, and a few more bombs in hotel lobbies could well act as a deterrent to even the most avid buyers. Moreover the question whether the water is turned on or not when the new season's supply becomes due on 1st October is of interest to everyone who makes contracts with the Chinese; a repudiation of this importance two weeks before the beginning of the Fair would do little to create the right sort of confidence.

In terms of Hong Kong's internal politics, also, there are good reasons for resolving the whole problem before October 1st. On National Day China traditionally appears in a very benevolent role from the point of view of the population here, and long term policy must surely demand that this tradition be maintained. There is already a good deal of speculation as to what sort of posters and decorations will appear here for the event, and people are wondering whether the various leftist organizations will be able to find restaurateurs willing to provide accomodation for National Day dinners. Meanwhile in Canton, where the Hong Kong leftists have been subject to a fair amount of criticism for some weeks, there have been posters attacking their plans to expend valuable resources on feasting during the current anti-imperialist struggle.

Beyond these immediate considerations, the fate of the Trade Fair is of great importance to the Colony, for the structure and volume of China's foreign trade is one of the factors - perhaps the principal factor - which will in the long run determine Hong Kong's future. The Colony has up to now provided the main market for China's exports and is consequently her main source of foreign exchange. Economic disruption inside China in the past year, besides weakening foreign exchange earning capacity, is likely to lead to an increase in foreign exchange requirements if the Government has to increase its grain purchases abroad to feed some parts of the country. Yet the longer the present situation continues in Hong Kong, the less the Colony will be likely to be able to satisfy these requirements.

Beneath the surface of what appears a relatively static impasse, there are several dynamic factors in the situation. Apart from movements in China's foreign trade, and her trade with Hong Kong, Hong Kong's own trade with the outside world must be considered, together with a fluctuating food supply which has already led to some serious price rises, and a serious problem of unemployment of those workers who were discharged after striking and not re-employed, and who may acquire a genuine economic and social basis for their political discontent. These factors, together with erosion of the Colony's commercial confidence - far less shaken than might have been expected by the first dramatic disturbances - all point to the possibility of a gradual deterioration in the situation which, if unchecked, could pose a serious threat to the Colony's economic viability in the future. In respect of some of these problems the Hong Kong authorities can do something, though not much. None of them can be wholly solved, though, until the outcome of the Cultural Revolution, in terms of the economy and foreign trade at least, can be discerned more clearly. The fate of the Autumn Trade Fair should tell us much.

Yours sincerely,

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