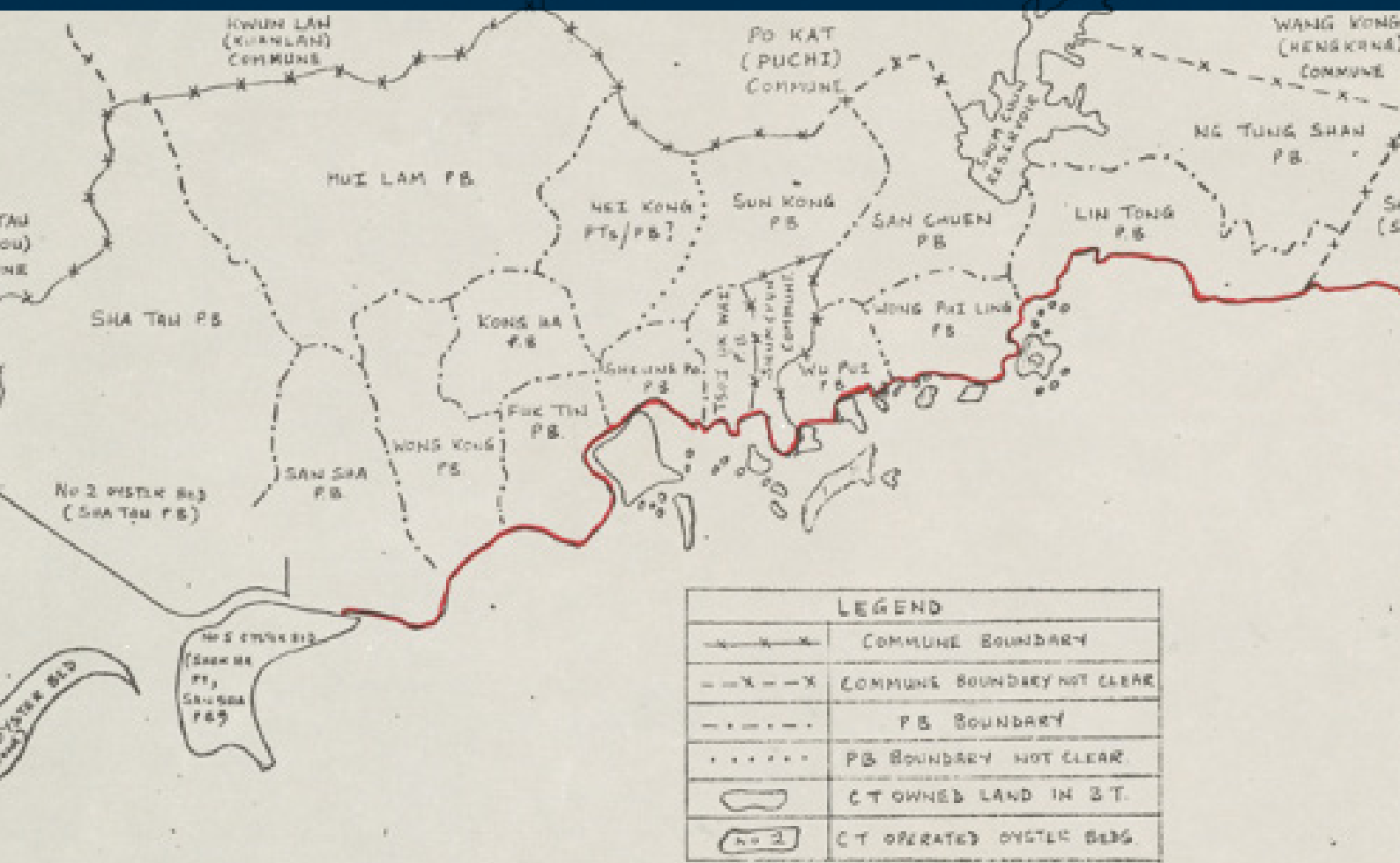


Hong Kong: From a British Colony to a Global Chinese City

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Image - A map showing the boundary between Hong Kong and Fu Shing Commune of Kwantung Province. Reports by Special Branch of Royal Hong Kong Police. January 1-December 31, 1974. MS Commonwealth Office and Foreign and Commonwealth Office: Hong Kong Departments: Registered Files, Hong Kong, British Honduras, British Indian Ocean Territories and the Seychelles FCO 40/548. The National Archives (Kew, United Kingdom)



FU SHING (FUCHENG) COMMUNE - APPROXIMATE BOUNDARY

TO MAP: HONG KONG AND NEW TERRITORIES.
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Between the 1960s and the mid-1990s, Hong Kong underwent a period of rapid transformation. From a British Crown Colony whose economy started to take off, Hong Kong became a 'global city' that reverted to Chinese sovereignty on 1 July 1997. The Gale digital archive collection of FCO 40 files and FCO 21 files relating to Hong Kong—*China and the Modern World: Hong Kong, Britain, and China Part 2, 1965-1993*—is a rich resource for the study of not only the city's past but also the histories of the British Empire, Communist China, and the global economy. It covers events and developments, such as the 1967 leftist riots, Hong Kong's textile exports amid Britain's entry into the European Economic Community (EEC), Governor Murray MacLehose's economic and social reforms, China's opening-up and growing ties with Hong Kong, the Anglo-Chinese negotiations over Hong Kong's future, and the development of representative government during the transitional period. This essay provides a snapshot of Hong Kong's metamorphosis within the framework of four main themes – development; diplomacy; democratisation (or lack thereof); and decolonisation.

Industrialisation and Economic Development

Since 1842, Hong Kong had served as a primary node for the flow of goods, people, and ideas between China and the rest of the world. Hong Kong's role as an entrepôt for the China trade was, however, disrupted by Japanese aggression during the Second World War, and then by the Chinese Civil War and the subsequent Cold War between Communist China and the United States. The imposition of United States and United Nations embargoes on China as a result of the 1950-53 Korean War, together with China's economic reorientation towards the Soviet bloc, significantly affected Hong Kong's entrepôt trade. The trade embargoes on China propelled Hong Kong to the path of industrialisation, a process that had started in the 1930s and was intensified by the influx of Shanghai entrepreneurs (which re-established their textile factories in the Colony) and Cantonese refugees (which served as a cheap labour force) since the late 1940s. Hong Kong was transformed into an export-oriented industrial economy, with textiles and garments being its main pillar (and with plastic products and electronics growing in importance over time). As a Crown Colony, Hong Kong enjoyed preferential access to the British and

Commonwealth markets. But under pressure from the Lancashire textile industry, the British government was eager to restrict the influx of Hong Kong's textiles and garments. The result was the 1959 agreement between Lancashire and Hong Kong industrialists, which required the latter to adopt 'voluntary restrictions' over the exports of textiles and garments to Britain. The agreement lasted for three years and was renewed in 1962.¹

Hong Kong also faced protectionism in the United States, its largest export market since 1959. The Americans wanted to restrict Hong Kong's textile exports through government-to-government agreement within the framework of the General Agreement on Tariffs and Trade (GATT). As a dependent territory could only assume the rights and obligations of GATT through its sovereign power, the United Kingdom signed two agreements on behalf of Hong Kong – the 1961 Short-Term Arrangement Regarding International Trade in Cotton Textiles and the 1962 Long-Term Arrangement Regarding International Trade in Cotton Textiles. The latter was extended in 1966 and again in 1970 for further four

years. As a consequence, Hong Kong's textile exports were subject to various degrees of restraint under terms agreed bilaterally with the United States, the EEC countries, and so forth.

Successive British governments' efforts to join the EEC in the 1960s created strains on the relationship between the metropole and the Colony.² Although Hong Kong hoped to enjoy associate status within the Community under Part IV of the Treaty of Rome, the Six (founding members) opposed it on the grounds that association was not appropriate for a dependent territory with well-developed manufacturing industries. During the negotiations over Britain's third application in 1970-72, the Six had reservations about including Hong Kong in the Generalised Preference Scheme, which granted tariff concessions to developing countries whose cotton textile trade was already subjected to quotas under the Long-Term Arrangement. Hong Kong feared that, after joining the EEC, Britain would support a Common Commercial Policy. Governor David Trench asked Whitehall bluntly if there was 'a danger of Hong Kong ceasing to be a British Colony and becoming instead a

¹ For an insider's perspective by a former trade official of Hong Kong, see Lawrence Mills, *Protecting Free Trade: The Hong Kong Paradox, 1947-97* (Hong Kong: Hong Kong University Press, 2012).

² See FCO 40/81-83, FCO 40/175-176, FCO 40/203-205, FCO 40/273-274, FCO 40/284-286, FCO 40/377-378, and FCO 40/437-438.

Colony of the Community'.³

After Britain's entry into the EEC on 1 January 1973, the loss of privileged access to the British market turned out not to be a major economic blow to Hong Kong. By the early 1970s, Hong Kong's main export market was the United States, which was over three times larger than Britain.

Besides, Hong Kong had become a regional and later international financial centre. Its foreign exchange market, stock market, and gold market were flourishing; its banking and financial institutions were well established; and the Hong Kong government created a light regulatory environment to attract foreign capital. The two financial secretaries between 1961 and 1981, John Cowperthwaite and Philip Haddon-Cave respectively, used the term 'positive non-interventionism' to define (and justify) a laissez-faire approach. Rather than embracing the virtues of nineteenth-century liberalism, however, they preferred selective intervention into the economy, particularly in the fields of housing and education. Hong Kong's economic growth since the late 1950s enabled the colonial government to

bargain with London over such issues as the maintenance of the British garrison (at a time when Britain was making defence cuts that culminated in the 1967-68 decisions to withdraw from east of Suez) and sterling reserves (which needed to be held in London). In November 1967, the British government's devaluation of sterling by 14 per cent resulted in a loss of £56 million for Hong Kong and a similar devaluation of the Hong Kong dollar against the US dollar. But within days, the Hong Kong government increased by 10 per cent the value of the local currency against the pound. In mid-1968, it secured from London an agreement on exchange guarantees for Hong Kong's sterling reserves in the event of future devaluation.⁴

Leftist Riots of 1967

In 1967, Hong Kong witnessed a far more serious threat than the devaluation of sterling – the leftist riots.⁵ A year ago, an increase in fares on the Star Ferry had propelled a young man to protest and, after his arrest by the police, triggered riots by the youths. Notwithstanding Hong Kong's growing prosperity, many young

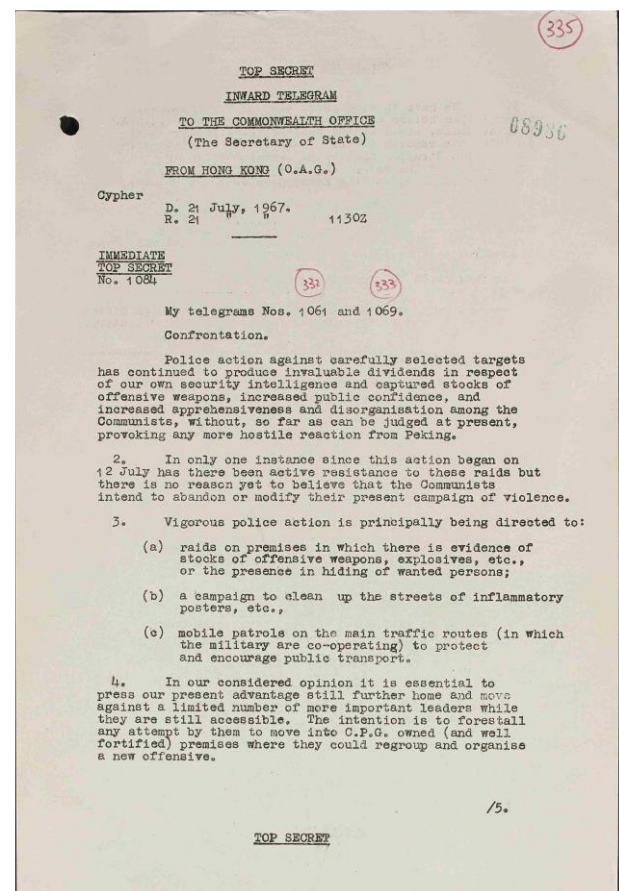
³ FCO 40/286.

⁴ Catherine R. Schenk, 'The Empire Strikes Back: Hong Kong and the Decline of Sterling in the 1960s', *Economic History Review*, 57: 3 (August 2004), 568-77.

⁵ Among the numerous files on the 1967 riots, see FCO 40/45-54, FCO 40/74-76, FCO 40/105-107, and FCO 40/113-117.

and underprivileged people were alienated by government and police corruption, crowded housing, and poor working conditions. In particular, the left wing in Hong Kong felt marginalised by mainstream society. Inspired by the Chinese Cultural Revolution unleashed by Mao Zedong in 1966, on 6 May 1967, the local leftists seized upon a labour strike at a plastic flower factory in Kowloon to launch their own struggle. On 16 May, they set up a 'Committee of All Circles for the Struggle against Persecution by the British Authorities in Hong Kong' to lead what would become an eight-month long anti-colonial struggle, characterised by demonstrations, strikes, border clashes, and random bombing. Behind the committee was the Hong Kong branch of the New China News Agency (NCNA) or China's de facto embassy in the territory. As a matter of fact, Hong Kong had been living in the shadow of China since 1949. Although not recognising the three 'unequal treaties' that governed Hong Kong's colonial status, China tolerated the continuation of British 'administration' in Hong Kong according to the principle of 'long-term planning and full utilisation'. During the Cold War, it made use of Hong Kong for gathering intelligence, conducting propaganda, and earning foreign exchanges, while reserving the

right to reclaim sovereignty when the conditions were ripe – probably in 1997 when the New Territories Lease expired. But during the 1967 riots, the Hong Kong and British governments could not take for granted Beijing's intentions in view of 'power seizure' by radical rebels on the mainland.



[Telegram from the Office of Acting Governor of Hong Kong to the Secretary of State for the Commonwealth Office, July 21, 1967 \[FCO 40/54/0020\]](#)

At first, the Hong Kong government adopted firm but non-provocative measures to restore law and order. But as the leftist riots escalated into border

skirmishes in early July, it conducted more raids against suspected communist premises, handed over border patrols to the Gurkhas, and arrested and charged the news workers of the NCNA and other left-wing press organisations. In handling the riots, the colonial governor needed to take into account the wider picture of Anglo-Chinese relations. In fact, Hong Kong was always a matter of diplomacy for London and Beijing alike. In China, the radical leaders in power and the Red Guards supported the Hong Kong leftists through diplomatic protests to the British Foreign Office, mass rallies, and hostile propaganda. When, in July, the Hong Kong government arrested Xue Ping, a news worker of the local NCNA, for illegal assembly and then sentenced him to two-year imprisonment, Beijing put Anthony Grey, the British correspondent of Reuters in China, under house arrest. In August, the Hong Kong authorities arrested the five directors and chief editors of three 'fringe' communist newspapers for publishing 'seditious' articles and suspended the three papers pending legal proceedings. In response, the Chinese Foreign Ministry, influenced by ultra-leftism, issued an 'ultimatum' to the

British government, demanding the lifting of the suspension of the three communist newspapers and the release of all 'patriotic journalists' within forty-eight hours. When the demands were ignored, on the night of 22 August, the Red Guards broke into the British Chargé Office in Beijing, burning it to the ground. The sacking drove Anglo-Chinese relations to their nadir since 1950, creating a 'hostage crisis' in which Britain and China restricted the movement of each other's nationals in their countries. Beijing linked the freedom of British diplomats, Grey, and other detained Britons to the release of Hong Kong prisoners relating to the 1967 riots.⁶ All this shows how Hong Kong's trajectory was closely intertwined with the ups and downs in Anglo-Chinese relations.

Reforms and Decolonisation

During the 1967 riots, the British government decided to undertake a feasibility study about an emergency evacuation from Hong Kong and a long-term study of British policy towards the Colony. Although, by late 1967, the final suppression of the leftist riots had made any immediate evacuation unnecessary,

⁶ See Chi-kwan Mark, *The Everyday Cold War: Britain and China, 1950-1972* (London: Bloomsbury Academic, 2017), chapters 4-5.

British officials continued the long-term study. Completed in March 1969, the final draft of the study concluded that Hong Kong's future should 'eventually lie in China' and that British objective should be to 'attempt to negotiate its return, at a favourable opportunity, on the best terms obtainable for its people and for [British] material interests there'.⁷ In essence, the sense of pessimism about Hong Kong was rooted in the changing relationship between the metropole and the Colony since the late 1950s. Britain was acutely aware that Hong Kong was militarily indefensible (the garrison being maintained for internal security purposes) and constitutionally 'awkward' (with no chance of self-government, let alone independence, due to China's objection). Hong Kong enjoyed financial and administrative autonomy from London by setting its own budget and conducting its external economic relations. In the early 1970s, Britain's military withdrawal from east of Suez and admission to the EEC made Hong Kong an embarrassing political anachronism. In a sense, the 'long decolonisation' of Hong Kong had started well before Britain and China

commenced formal talks on its future in the 1980s.



[*Portrait of Sir Murray MacLehose*](#)

Against this backdrop, Murray MacLehose became the twenty-fifth governor of Hong Kong in November 1971. Chosen from among career diplomats in the Foreign Office rather than from the colonial service, MacLehose had the strategic objective of preparing Hong Kong for Anglo-Chinese negotiation over its

⁷ CAB 134/2945, The National Archives (TNA), Kew, Surrey, UK. Also see FCO 40/92-93 and FCO 40/158-160.

political future. He aimed to make Hong Kong as prosperous, stable, and united as possible, so that its residents would feel proud of the city they called home and thus resent absorption by Communist China. In other words, MacLehose hoped to increase Britain's bargaining power in future negotiations with the Chinese government.⁸ But MacLehose also had the internal problems of Hong Kong in mind. The 1966 and 1967 riots had highlighted a 'communication gap' between government and society. Building on the policy initiatives of his predecessor, MacLehose strove to foster a sense of local belonging and civic responsibility among Hong Kong residents. Thus, the government embarked on a massive expansion of public housing, free primary and later secondary education, new towns project, the fight against corruption, and social reform.

Nevertheless, MacLehose's labour legislation and political reform fell short of the expectations of the British home government. In essence, the colonial governor and the left-wing Labour governments held different visions of the best developmental model for Hong Kong

⁸ FCO 40/439-440, FCO 40/547, and FCO 40/642. Also see Ray Yep and Tai-Lok Lui, 'Revisiting the

– Keynesian-style welfare state or free-market economy. Under the influence of the Trades Union Congress and left-wing backbenchers in Parliament, the Labour governments wanted Hong Kong to, for example, appoint trade union representatives to the Legislative Council, introduce statutory minimum wage, and increase public expenditure on social welfare. Constrained by the bureaucratic and business elites, MacLehose could not but attach importance to fiscal conservatism, low taxation, and above all market forces (despite selective government intervention). At a political level, the disagreement between MacLehose and London over social reform reflected the growing autonomy of Hong Kong at a time when Britain was reorienting itself from Empire to Europe after 1973.

During MacLehose's governorship, Hong Kong had made significant economic progress. The 1970s saw the emergence of a distinctly local identity among Hong Kong residents, particularly for the locally born generation. Such a Hong Kong identity was closely linked to the development of a local popular culture as

Golden Era of MacLehose and the Dynamics of Social Reforms', *China Information*, 24: 3 (2010), 249-72.

manifested in films, music, and television shows. In the late 1970s, the renewed influx of illegal immigrants from China caused Hongkongers to define their identity by differentiating themselves from mainlanders. Their imaginary notion of 'we' versus 'they' was reinforced by the government's decision, in October 1980, to end the 'touch base' policy (introduced in 1974), whereby illegal Chinese immigrants who had joined their families and found employment were allowed to stay in Hong Kong instead of being repatriated to the mainland.⁹

Negotiations on the Future of Hong Kong

By 1979, the business community became increasingly concerned about the gradual rundown of land leases in the New Territories, which would expire three days before 1 July 1997 (the date of the expiry of the 1898 New Territories Lease itself). The inability of the Hong Kong government to grant new land leases lasting beyond 1997 would deter major new investment.¹⁰ If the approach of 1997 created a crisis of confidence, the coming to power of Deng Xiaoping, who inaugurated a policy of reform and opening up in late 1978, provided an opportunity for the British to

sound China out about Hong Kong's political future, albeit indirectly. At the invitation of the Chinese Minister of Foreign Trade (who had previously visited Hong Kong to explore the latter's possible contribution to China's modernisation), MacLehose visited Beijing in late March 1979. On 29 March, MacLehose was granted an interview by Deng Xiaoping, who seized the initiative by raising the Hong Kong question. Deng asserted that 'sovereignty over Hong Kong belonged to China' but China would respect Hong Kong's 'special status'. MacLehose underscored the immediate problem of individual land leases in the New Territories, but failed to convince Deng of allowing the Hong Kong government to grant new leases beyond 1997. Deng simply asked the governor to tell investors to 'put their hearts at ease'.¹¹

By that time, Deng's priority of national unification was not Hong Kong, but Taiwan. It is thus unsurprising that Deng rebuffed MacLehose's suggestions about extending land leases and, by implication, British administration in Hong Kong.

During her visit to China in September 1982, British Prime Minister Margaret

⁹ FCO 40/1005-1007, FCO 40/1114-1117, and FCO 40/1200-1206.

¹⁰ FCO 40/1058-1061.

¹¹ FCO 21/1736 and FCO 40/1050-1051.

Thatcher raised the question of Hong Kong with Deng Xiaoping.¹² Notwithstanding the Hong Kong governor's contribution to the formulation of negotiating strategy in London and Thatcher's eagerness to consult the Unofficial Members of Hong Kong's Executive Council and Legislative Council, Hong Kong's future would be determined by the secret diplomacy of Britain and China. Beijing opposed vehemently the participation of Hong Kong people in the diplomatic talks or the creation of a 'three legged stool'. During his meeting with Thatcher, Deng made it plain that China would resume both sovereignty and administration over the whole of Hong Kong in 1997. With her conviction in free-market capitalism, Thatcher was reluctant to hand over a prosperous and capitalist city to the Chinese Communists. Anglo-Chinese negotiation over Hong Kong's future commenced shortly after Thatcher's visit, and would last for two years.¹³ The first phase of negotiations, from October 1982 to June 1983, focused on China's insistence that Britain should acknowledge Chinese sovereignty over Hong Kong before the start of substantial

talks. The British chief negotiator, Percy Cradock, who was pragmatic and eager to avoid confrontation with China, resisted for some nine months. During the second phase of negotiations that began in July 1983, the British initially aimed at exchanging sovereignty for continuing administration. But the Chinese saw the two issues as indivisible. Deng Xiaoping warned that, if no agreement was reached by September 1984, China would unilaterally announce its plan for Hong Kong on the basis of the concept of 'one country, two systems'. With the two sides at loggerheads, the crisis of confidence intensified in Hong Kong. The Hong Kong dollar plunged to a new low after the fourth round, prompting the Hong Kong government to introduce a system of pegging with the US dollar in October 1983. By the year's end, Cradock finally convinced Thatcher to concede the issue of administration to China. Thereafter, the British objective shifted towards negotiating a high degree of autonomy and continuity for Hong Kong with a view to minimising the risk of Beijing's interference in Hong Kong's affairs after 1997.

¹² FCO 40/1438-1442, FCO 40/1446-1453, and FCO 40/1465.

¹³ See Chi-kwan Mark, *Decolonisation in the Age of Globalisation: Britain, China, and Hong Kong, 1979-89*

[Manchester: Manchester University Press, 2023]. Also see FCO 40/1546-1564, FCO 40/1612, FCO 40/1663-1667, and FCO 40/1673.

The fifteen rounds of talks during 1984 remained tough, though. The two sides disagreed over such issues as constitutional development, the stationing of Chinese troops after 1997, the establishment of a joint commission to manage transitional matters, and nationality. The Unofficial Members of Hong Kong's Executive Council, led by Sze-yuen Chung, were particularly unhappy with what they saw as the Thatcher government's constant retreat from its previously held positions. The passage of the 1981 British Nationality Act, which denied a right of abode in the United Kingdom to Hong Kong's British subjects (who indeed had lost an automatic right as early as 1962),¹⁴ was still fresh in their mind. In mid-April 1984, Foreign Secretary Geoffrey Howe visited Hong Kong to announce that it would 'not be realistic' to think of continued British administration in Hong Kong after 1997.¹⁵

Not until late September did the British and Chinese chief negotiators initiate the draft of an agreement. On 19 December, in Beijing Thatcher and Premier Zhao Ziyang signed the Sino-British Joint Declaration on the future of Hong Kong.¹⁶ Accordingly,

Hong Kong would revert to Chinese sovereignty on 1 July 1997; it would become a Special Administrative Region with a high degree of autonomy, except for defence and foreign affairs; and Hong Kong's capitalist system and way of life would remain unchanged for 50 years under the 'one country, two systems'. Now that Hong Kong had become in effect a 'global city' with close economic ties with the outside world, Thatcher hoped that decolonisation would allow Hong Kong's capitalism to continue to flourish after 1997.

Democratisation and the Basic Law

The decolonisation of Hong Kong went hand in hand with the process of democratisation. Indeed, even before the conclusion of the Joint Declaration, the British had decided to speed up the development of representative government in Hong Kong by publishing a consultative Green Paper in July 1984 and in November the White Paper proposing indirect elections in the Legislative Council.¹⁷ After 1945, the British had contemplated but decided against political reform in Hong Kong due to a host of factors: China's opposition to

¹⁴ FCO 40/1330-1337 and FCO 40/1490-1495.

¹⁵ PREM 19/1264, TNA.

¹⁶ FCO 40/1770-1773.

¹⁷ FCO 40/1635-1639.

democratisation, which was seen as a prelude to Hong Kong's independence; the perceived political apathy of Hong Kong people; and the colonial authorities' emphasis on co-optation of Chinese elites into an extended network of advisory bodies. Nonetheless, with the emergence of the 1997 question and of an affluent middle class in the 1980s, more and more Hongkongers were drawn into political debates and established political groups like the Meeting Point. (Indeed, during the 1970s, university students, pressure groups, and elected Urban Councillors had been actively involved in various social and political agitation, such as the movement for recognition of Chinese as the official language.) On 26 September 1985, Hong Kong's first-ever indirect elections in the expanded fifty-six-seat Legislative Council were held, including twelve seats returned by electoral college constituencies (consisting of directly elected representatives at the District Board and the Urban Council) and another twelve seats by nine functional constituencies (such as the commercial, industrial, and labour).¹⁸ While the British were developing representative government in Hong Kong

during the transitional period, the Chinese government commenced the drafting of the Basic Law, the mini-constitution for post-1997 Hong Kong, on the basis of the Sino-British Joint Declaration.¹⁹ A Basic Law Drafting Committee, consisting of thirty-six mainland members and twenty-three Hong Kong members, was formed. Besides, a Basic Law Consultative Committee, comprising 180 members from Hong Kong, was set up to collect local opinion. The Sino-British Joint Declaration had only vague references to democracy, with the nature of the franchise unspecified. According to its annex one, the legislature should be constituted by 'elections', which could mean direct, indirect, or functional election. As a result, the pro-business and pro-democracy members of the Basic Law Drafting Committee had vigorous debates about the scope and pace of democratisation in Hong Kong. Above all, China did not want the British to develop representative government in Hong Kong before the promulgation of the Basic Law. Xu Jiatao, director of the Hong Kong branch of the NCNA, warned of 'a tendency to deviate' from the Joint Declaration.²⁰ He saw the need for

¹⁸ FCO 40/1792-1798.

¹⁹ FCO 40/1868-1871.

²⁰ FCO 40/1814.

'convergence' between the review of representative government and the drafting of the Basic Law, between the pre-1997 and post-1997 political structures. During diplomatic exchanges with the British, the Chinese hinted that if direct elections were not introduced in the Legislative Council until after the promulgation of the Basic Law, the Chinese government would not oppose appropriate provision for them in the Basic Law.²¹ As a result of this 'secret understanding' between Britain and China, the Hong Kong government concluded that direct elections would not be introduced in 1988 (on the grounds of lack of majority support after public consultation), but in 1991 for ten seats in geographically based constituencies.²²

On 21 February 1989, China's National People's Congress published the draft Basic Law for comments by the people of Hong Kong. The democratisation of Hong Kong would be based on the 'principle of gradual and orderly progress', in that about fifteen members of the Legislative Council would be directly elected in 1997, a proportion that would be increased gradually to 50 per cent by the third and

fourth terms of the council. The first three terms of the chief executive would be selected by an Election Committee, with a review conducted in 2011.²³ What happened in China in the following months, however, threatened to derail the drafting of the Basic Law and indeed the handover of Hong Kong.²⁴ The Beijing events renewed the crisis of confidence in Hong Kong, and the fight for democracy by its residents. The Executive and Legislative Councils unanimously agreed that the number of directly elected seats in the Legislative Council should be doubled, from ten to twenty, in 1991, and should reach 50 per cent of the council by 1997. Democrats called for half of the legislative seats to be directly elected in 1991, and universal suffrage for the whole house by 1995. In London, the Thatcher government decided to '[move] rapidly to establish representative government based on direct elections, so that such representative government would be in place by 1997 and harder for the Chinese authorities to destroy'.²⁵

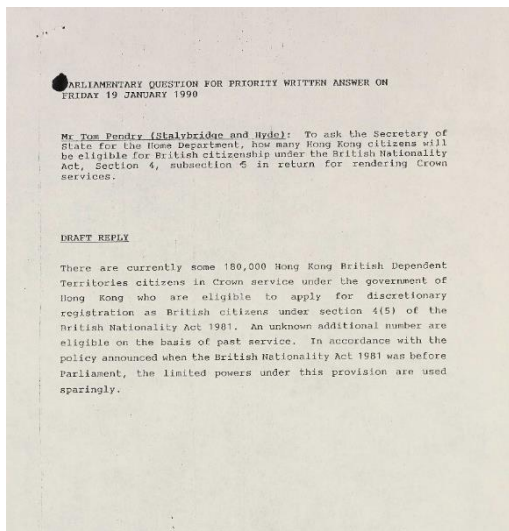
²¹ PREM 19/2727, TNA.

²² FCO 40/2396-2401.

²³ FCO 40/2636, FCO 40/2639, and FCO 40/2643.

²⁴ See FCO 40/2668-2671, FCO 40/2697, FCO 40/2699-2701, and FCO 40/2797.

²⁵ PREM 19/2728, TNA.



[Draft reply to Parliamentary Question on the eligibility of Hong Kong citizens for British citizenship, January 10, 1990 \[FCO40/3157/0022\]](#)

To reassure the Hong Kong people, Foreign Secretary Howe visited the territory between 2 and 4 July. He spoke of accelerating the pace of democratisation, while revealing that Britain would introduce a Bill of Rights for Hong Kong (eventually enacted in June 1991). But Howe made it plain that it was impossible for Britain to grant a right of abode to more than three million Hongkongers holding British passports. Instead, after lengthy discussions in London, the Thatcher government announced in December a 'selection scheme', which aimed to 'persuade key people to remain in Hong Kong not to bring them to Britain'.

²⁶ CAB 128/94, TNA. Also see FCO 40/3124-3132, FCO 40/3144, FCO 40/3147, FCO 40/3156-3158, and FCO 40/3160.

Accordingly, up to 50,000 heads of household could apply for full British citizenship without the need to leave Hong Kong.²⁶

After the Beijing events of 1989, China's attitude towards Hong Kong's democratisation hardened. Beijing feared that Hong Kong would be used as a base to 'subvert' the Chinese government, and that, by calling for a faster pace of democratisation, Britain was trying to 'internationalise' the Hong Kong question.²⁷ Eventually, the deadlock over Hong Kong's democracy was broken after the exchange of seven communications between Chinese Foreign Minister Qian Qichen and his British counterpart, Douglas Hurd, between 18 January and 12 February 1990. China agreed that the Legislative Council would have eighteen (rather than ten) directly elected seats in 1991 and twenty in 1997, with the number steadily increased thereafter. Meanwhile, the British and Chinese agreed on the so-called 'through train' arrangement for Legislative councillors elected in 1995, who, after satisfying certain requirements, could serve a full four-year term until 1999. On 4 April, the National People's

²⁷ FCO 40/2672-2673.

Congress promulgated the Basic Law. The composition of the Legislative Council corresponded with the latest exchanges between Hurd and Qian. The first chief executive would be selected by a broadly representative Selection Committee, but the 'ultimate aim' was selection by 'universal suffrage'.²⁸

Besides the issue of Hong Kong's democratisation, the British decision to build a new airport and its related infrastructure in response to the confidence crisis was another source of conflict between Britain and China.²⁹ Beijing was antagonised by the lack of prior consultation by London, while worrying that the construction of an expensive airport would exhaust Hong Kong's foreign reserves. The dispute was resolved only after a year of Anglo-Chinese discussions. In September 1991, Prime Minister John Major came to Beijing to sign with Premier Li Peng the Memorandum of Understanding on the airport project.

The arrival of Chris Patten as Hong Kong's last colonial governor in October 1992,

²⁸ FCO 40/2856 and FCO 40/2861-2863.

²⁹ FCO 40/3058-3065, FCO 40/3235-3240, FCO 40/3246, and FCO 40/3254-3262.

³⁰ FCO 40/3478-3479, FCO 40/3564-3569, FCO 40/3576-3580, FCO 40/3625-3626, FCO 40/3628,

and his proposals for political reforms in 1993-4, created another political storm in Sino-British relations.³⁰ Believing that the Hong Kong people deserved greater democracy and working within the 'grey areas' in the Basic Law, Patten proposed to raise the number of directly elected Legislative Council seats from eighteen to twenty in 1995, widen the electoral base of the functional constituencies by replacing corporate voting with individual voting, and abolish all appointed seats in the Municipal Councils and the District Boards. Beijing criticised Patten for violating the Joint Declaration and the Basic Law, while reminding him of the 1990 exchanges between Qian and Hurd about the composition of the Legislative Council. In 1993, British and Chinese diplomats engaged in seventeen rounds of negotiations to resolve the dispute, but to no avail. Patten went ahead with his proposals (with some modification), and elections for the Legislative Council duly took place in 1995.

For its part, China sought to build a 'second stove', which would replace the political institutions created under Patten's reforms

FCO 40/3640, FCO 40/3779-3788, FCO 40/3936-3939, and FCO 40/3998-4000. On Chris Patten's own recollection, see *The Hong Kong Diaries* (London: Allen Lane, 2022).

after 1997. In early 1996, the Hong Kong Preparatory Committee was established to choose a provisional Legislative Council, to be inaugurated after the Hong Kong handover. In December, Tung Chee-hwa, the pro-Beijing businessman, was appointed as the first Chief Executive of the Hong Kong Special Administrative Region. The stage was set for Hong Kong's retrocession to China on 1 July 1997.