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**Post-Tiananmen
Hong Kong:
What Role for the
United States?**

Edited by Andrew B. Brick



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An Asian Studies Center Roundtable

**Post-Tiananmen Hong Kong:
What Role for the United States?**

**Representative John Edward Porter
U.S. House of Representatives**

**Peter F. Ricketts
First Secretary
Embassy of the United Kingdom**

**Ambassador Richard L. Williams
Director, Office of Chinese and Mongolian Affairs
U.S. Department of State**

Edited by Andrew B. Brick

**The Lehrman Auditorium
The Heritage Foundation
July 21, 1989**

Mr. Roger Brooks: I am Roger Brooks, Director of The Heritage Foundation's Asian Studies Center. Recent events in China have awakened and alarmed Hong Kong. Visits there late last year by the staff of the Asian Studies Center left the impression that the territory was virtually slumbering, taking little stock of its future. But for the past two months the people of Hong Kong have shown a unity of purpose that crosses all political and social lines. Millions have taken to the streets not only in support of the demonstrations for democracy in Mainland China, but also to demand freedom for themselves as well.

There are three major players who will decide the fate of Hong Kong: the citizens of Hong Kong, the British government, and the Chinese government. Their respective roles were established under the terms of the Sino-British agreement initialed on September 26, 1984, signed in December of that year, and ratified on May 27, 1985.

The agreement contains a Joint Declaration with three annexes under which Britain agrees to restore Hong Kong to the People's Republic of China on July 1, 1997. Hong Kong will then be a Special Administrative Region, or SAR, of China and "will enjoy a high degree of autonomy, except in foreign and defense affairs, which are the responsibility of the Central People's Government."

The National People's Congress of the PRC in the interim will write the Basic Law – a mini-constitution – which "shall stipulate that after the establishment of the Hong Kong SAR, the socialist system and socialist policies shall not be practiced in Hong Kong, and that Hong Kong's previous capitalist system and lifestyle shall remain unchanged for 50 years."

The Basic Law is to have three drafts. The first was completed in April 1988, and the second, this past February. Although the chief elements of Hong Kong's future are quite straightforward, the emotions that have come to engulf the territory are far more complicated.

In our discussion today, the focus will be on the rights of abode and nationality for Hong Kong people who wish to leave the territory before 1997, universal suffrage, and the guarantees of basic human rights and democratic institutions for the people who choose to remain. Such notions tie in, I think, to the topic of today's seminar "Post-Tiananmen Hong Kong: What Role for the United States?"

Until recent events, Washington has been relatively circumscribed in its policy and its reaction to the incipient changes in Hong Kong. London and Beijing indicated little interest in U.S. support or involvement, as both sides judged their discussions sufficiently complicated without injecting outside forces into the equation.

Recent events though, have brought a ground swell of American interest in the Hong Kong issue, attested to by today's large turnout. From U.S. businesses, who have invested more than \$6 billion in Hong Kong and played a prominent role in its development as a major international financial business center, to ordinary Americans who are concerned about the fate of some five and one-half million people, awareness of Hong Kong as an important international issue is growing. Indeed, bills passed yesterday in the Senate almost assure that the U.S. will double the number of Hong Kong immigrants allowed into the U.S. yearly, from 5,000 to 10,000.

The Asian Studies Center at The Heritage Foundation believes that a forum examining the U.S. role in the fate of Hong Kong is important and timely. The following policy makers will participate as panelists in today's seminar: Peter Ricketts of the British Embassy;

Ambassador Richard L. Williams of the U.S. Department of State; and Congressman John Porter, the Illinois Republican, who is tied up just now on the floor of the House but should be joining us shortly.

We also invited representatives from the Embassy of the People's Republic of China to join us here today. Unfortunately, the PRC Embassy asked that they not participate formally in the panel discussion, but they have told us that they will be in the audience and available to discuss issues following the presentations. Also participating will be Peter Lo, Minister of the Hong Kong Economic and Trade Affairs office with the British Embassy. Peter Ricketts will start our discussions. He is currently the First Secretary of the British Embassy in Washington, covering, among other things, East Asian affairs. He joined the British Foreign Service in 1974 and has served in Singapore, NATO, Brussels, and for many years as Assistant Private Secretary to the Foreign Secretary, Sir Geoffrey Howe.

Mr. Peter Ricketts: It is very good to see such a high level of interest in the Washington community concerning Hong Kong. It is a very timely subject, and it is also a subject about which the U.S. has a particularly important voice – a voice that needs to be heard.

Before I came here today, I looked up some economic figures, and I found that the U.S. is Hong Kong's second largest trading partner. It is the single largest market for Hong Kong, and it is also the largest investor in Hong Kong in manufacturing industry.

But beyond these bare economic facts, I know – from my own personal experience with Sir Geoffrey Howe – that during the negotiations with the PRC concerning Hong Kong's future, the support we received at crucial moments from the Reagan Administration, from Congress, from the U.S. business community were of enormous importance in sustaining confidence in Hong Kong. And I think U.S. interest and support is equally important as we go through the current period.

I must say I feel slightly inhibited in leading off this discussion. It is not for a representative of a foreign embassy in Washington to lecture you on what the role of the U.S. should be. But since I find myself here, before a captive audience, I will speak for a few minutes on British policy toward Hong Kong following the events in China in early June.

I think that in talking about the British position in Hong Kong it is worth recalling at the outset the fundamental facts that confronted us in the negotiations. Ninety-two percent of Hong Kong reverts to China in 1997 under several 19th century treaties. The question that we faced was not "whether" but "how." And our approach throughout the negotiations and since the conclusion of the Joint Declaration has been to build on the fact that it is in China's own interests, just as it is in our interests, Hong Kong's interests, and U.S. interests, for Hong Kong to go on being prosperous and stable up to and after 1997.

The Joint Declaration we signed in 1984 in Beijing and subsequently registered as a document with the United Nations enshrines the "one country/two systems" approach and goes on to produce a whole series of detailed undertakings to give that practical effect.

The first point I want to stress today is that, in our view, the events of Tiananmen Square have not devalued the Joint Declaration. On the contrary, we think the assumptions on which it was based, the assumptions about China's national interests, as well as our own and Hong Kong's national interests, are just as true today as they were in 1984. And we think that is a fundamental point.

What has happened in China has, in our view, demonstrated the value of the "one country/two systems" approach and the importance of making it work in practice. I want to

stress that that is not only the view of the British government but also of the British civil service.

After an exhaustive examination of Hong Kong in late June, the British House of Commons Select Committee on Foreign Affairs produced a report that declared the Joint Declaration "the best and surest treaty base for the future of Hong Kong." The members of the Executive and Legislative Councils in Hong Kong also have made plain, within the last month, since the events in Peking, that they regard the Joint Declaration as a good agreement. Tearing it up and starting again is simply not an option in our view. The Chinese government also has made clear that their policy toward Hong Kong will not be affected by recent events and that they remain committed to the Joint Declaration.

My second point is that we hope that the Chinese will now demonstrate by their actions that they mean what they say. Specifically, we believe that there are a number of further changes that need to be made in the draft Basic Law that will go a long way in rebuilding Hong Kong's confidence.

Leading on from my point that the Joint Declaration remains as valid today as it was when it was signed, I hope you will permit me one comment on the language in the China amendment in the U.S. House bill relating to Hong Kong. There is a passage that states, "The guarantee of the People's Republic of China for 'one country/two systems' in Hong Kong has little credibility in light of the ongoing brutal crackdown of pro-democracy forces in the PRC."

I hope it follows from what I said earlier that we in Britain do not regard one country/two systems as less credible. If anything, that notion is all the more important. And as the British ambassador has said in letters to a number of members of Congress, Britain hopes that that language can be used to urge China to live up to its international undertakings rather than casting doubt on them. I think language along that line is now reflected in the Senate version.

The House and Senate texts also refer to the issues of free direct elections and human rights, both of which are of interest to us. The question of political development in Hong Kong is one that we have been thinking hard about for several years now. Again, it is worth remembering fundamental points. As late as 1985 there were no directly elected members of the Legislative Council in Hong Kong. Politics is a rather new phenomenon there. Up until very recently, Hong Kong had evolved and functioned with its own system of representatives elected by functional or professional constituencies.

The British government, in approaching this issue, has laid out as a crucial concern the wishes of the people of Hong Kong, and it was decided two years ago that we should aim for ten directly elected members of the Legislative Council in 1991, with further increases possible beyond that.

The House of Commons, in their Select Committee inquiry that I referred to a moment ago, found in hearings in Hong Kong earlier this year that opinion remained divided in Hong Kong on how quickly to move toward direct elections for all Legislative Council members. It is clear to us that, since the events of early June, opinion in Hong Kong is changing. The members of the Executive and Legislative Councils proposed on May 24th that there should be a revision whereby 50 percent of seats in the Legislative Council would be elected directly by 1997, and 100 percent, by 2003. That remains the most authoritative expression of Hong Kong's opinion that we have heard so far, although we understand that the members of the councils are now reconsidering that position.

Our Foreign Secretary has already said that the plans for 1991 will have to be looked at again, and that we shall have to consider very carefully what further steps we can take before 1997. For now, we shall continue to construct our own approach on the basis that the views of Hong Kong people themselves are crucial.

On human rights, I hope it goes without saying that we attach the highest importance to ensuring respect for human rights in Hong Kong up to 1997, as long as British administration continues, and after 1997, once the PRC takes over. The British government has made clear that, as a result of recent events in China, the Hong Kong government will be putting forward a Bill of Rights, which we shall ensure becomes part of existing law and continues after the transfer of sovereignty in 1997.

The issue of immigration is of course another matter that has been one of great concern to us. And it is going to go on being so right up to 1997.

We appreciate the spirit that has been shown by the various amendments to increase immigration from Hong Kong that have been put forward in Congress and in many other countries as well. It is also worth emphasizing, however, that our own approach is based on creating conditions for Hong Kong to go on succeeding up to 1997 and beyond. Hong Kong's success has obviously been based on the talents of its own people, and emigration of talent therefore has to be a matter of concern to us.

As I think everyone knows, there has been a vigorous debate about the demand in Hong Kong for right of abode in Britain for the three and one-half million or so British passport holders in Hong Kong. And that is another issue that British ministers and the British Parliament have spent a great deal of time considering.

The conclusion both of Parliament and of the government in Britain is that it is simply impossible for the U.K. to contemplate absorbing three and one-half million people at some stage between now and 1997. Instead, we are looking at practical ways in which we can help. We have in mind a more limited scheme, which would allow people who have given particular service to Hong Kong, and on whom the future prosperity of Hong Kong depends, to have an assurance about their own future. It is our hope that such action will give them confidence to stay on in Hong Kong and go on producing prosperity in Hong Kong.

But we recognize that Hong Kong people, quite rightly, want assurance that, should the worst happen, there will be help for them in finding a home of last resort in the wider world. As I said, this is not a task that the small island of Britain can take on alone. We need to look for help from Hong Kong's friends all around the world. Assurance that Hong Kong's many friends would rally around it in case of dire need would, in our view, make a big contribution to enhancing confidence in Hong Kong.

I would like to make one more point. It concerns the question of economic sanctions against China. The British government's approach, which is similar to the U.S. Administration's approach, is that economic measures are not the way to go.

One factor in reaching that decision in London was the effect that such sanctions would have on Hong Kong. Hong Kong is China's largest trading partner, and vice-versa. Hong Kong generates two-thirds of the foreign investment in China and one-third of China's foreign exchange.

Thus, it is clear that the two economies are very closely linked. Measures taken by China's trading partners that affect China's economic growth could be damaging to Hong Kong at a time when the territory already has enough problems.

Bearing in mind the title of today's discussion — "What Role for the United States?" I would offer three thoughts for a role that the U.S. can play in enhancing confidence in Hong Kong. First, make clear at every opportunity that you have confidence in the future of Hong Kong on the basis of the Joint Declaration and urge China to live up to the international undertakings it has initiated. Second, pledge that, if worst came to worst in Hong Kong, the U.S. would be ready to help in an international effort to come to the rescue of those who need it. And third, oppose economic sanctions against China, which would hurt Hong Kong as well as China.

Mr. Brooks: Ambassador Richard Williams, our next speaker, is concurrently Country Director for China and Mongolia and Ambassador to Mongolia for the U.S. State Department. He travels periodically to Ulan Bator but is normally resident in Washington. He grew up in Indiana and was educated at the University of Chicago and Purdue University.

Ambassador Richard Williams: The U.S. has a strong interest in a prosperous and viable Hong Kong. We have strong human rights interests on behalf of the people who live there, and we have strong business and commercial interests. U.S. investment in Hong Kong is about \$6 billion, and the business community there runs into many thousands of businessmen.

And then we have a third, more general interest in East Asian stability. Certainly if something serious happened in Hong Kong, it could have ramifications that would be highly undesirable for the rest of East Asia as well. Because of these interests, we have supported the 1984 Sino-British agreement from the time it was signed, with its assurances that the current system would continue in Hong Kong for at least another 50 years and that a large degree of autonomy would be assured in Hong Kong.

We have been restrained, however, in expressing this because we have held that it is basically a matter for the Chinese and British governments to manage in accordance with the wishes and desires of the people of Hong Kong. For us to attempt to interject ourselves into this complicated situation in a very direct way would probably not have been appreciated by any of the principal participants in the five years since the signing of the agreement.

Consonant with this, however, we have supported and will continue to support the establishment of a Hong Kong identity in international situations, such as the General Agreement on Tariffs and Trade. That kind of identity will help it cope up to 1997 and after.

We have seen in recent years the number of immigrants to the U.S. from Hong Kong was extremely low. Congress passed legislation increasing this number to about 5,000 before the present proposals to raise the numbers higher came along.

After the events of Tiananmen, China still insists that it will retain the same foreign policy that it has had in the recent past, particularly the open door policy to the Western economies. Hong Kong is a crucial hinge point and conduit for this policy. Thus, we believe China will continue to have a strong interest in a viable Hong Kong.

At the same time, it is clear that, in view of the events of the last couple of months, it will be very important for China to take actions that will reassure the people of Hong Kong, and

the world in general, that the contractual obligations of the Joint Declaration will be maintained and supported.

We have no figures yet on the extent to which the events in Tiananmen have accelerated the numbers of people seeking visas to come to the U.S. But it is certainly clear that the pressure to emigrate greatly intensified in Hong Kong because of the events in Tiananmen.

The Administration has not decided yet how to respond to the bills introduced on the Hill, or indeed, to the new situation in Hong Kong. But we certainly think that discussions like this one today will be very useful in helping us figure out that policy.

Mr. Brooks: I would like to mention that Chen Mingming from the Embassy of the People's Republic of China has arrived and is in the audience and will take questions from the audience in our discussion period.

Our audience also includes some members of the U.S. business community who work in Hong Kong.

Congressman John Porter of Illinois is serving his sixth term in the U.S. House of Representatives. He was first elected in January 1980 to fill a vacancy in the Tenth District. Congressman Porter is a member of the House Appropriations Committee and serves on three subcommittees in that regard: Labor, Health and Human Services in Education, Foreign Operations, and the Legislative Branch. He is a founder and co-chairman of the Congressional Human Rights Caucus, a voluntary association of members of Congress working to identify, monitor, and end human rights violations worldwide. Recently showcased in a *Washington Post* article, Congressman Porter has been identified as a "champion" of Hong Kong. He has introduced legislation that would expand the number of Hong Kong Chinese allowed to immigrate to the U.S. to 50,000 a year.

Congressman John Porter: I have been asked many times why a member of the U.S. Congress, 6,000 miles from Hong Kong, is working so hard to secure its future and the well-being of its citizens. I can only say that human rights is the linchpin of my concern. The U.S., it seems to me, has a great responsibility toward working for democracy and human freedom everywhere around the world, and Hong Kong is a place we have a vital interest in, as well as China itself and in Asia generally.

When Li Peng and Deng Xiaoping used tanks to crush the democratic aspirations of the Chinese people, the message surely was heard most loudly in Hong Kong. The murders of the democratic demonstrators undoubtedly raised serious concerns about the Chinese government's willingness to fulfill the promises of freedom and autonomy for Hong Kong and its citizens that were contained in the Sino-British Joint Declaration.

If you look at what is happening in Hong Kong today, confidence is at its lowest ebb since the Declaration was signed in 1984. A survey conducted before the weekend of June 4th showed 40 percent of the Hong Kong citizens were not confident about the future of Hong Kong, and that number was up from 24 percent in the previous January. Among professionals and managers, the heart of Hong Kong's vibrant economy, confidence is especially low. More than half of those people, 52 percent, say they have no confidence in the colony's future. Fifty-eight percent now say that the economic outlook is bleak for Hong Kong. A lack of faith in Chinese policy in 1997 obviously is the main reason for this pessimism. Polls already show that the sense of gloom has grown dramatically since the crackdown in China.

The growing lack of confidence has already begun to take its toll in Hong Kong. As of May, one-third of Hong Kong's citizens were planning to emigrate before 1997. Forty-five thousand people left Hong Kong in 1988; 40,000 are expected to leave this year, and 60,000 next year. Overall, the projection is for a net loss to Hong Kong between now and 1997 of at least 600,000 to 700,000 people. Most disturbing perhaps is that a higher portion of those leaving will be from the well-educated and high income-earning groups.

All of these numbers were collected prior to the ruthless suppression of Chinese demonstrators in Tiananmen Square. New emigration numbers obviously will be even worse. In fact, a study taken just a week ago indicated that three-fourths of Hong Kong's professionals and entrepreneurs now plan to leave the territory before 1997. And as I said, fully one-third of Hong Kong's 1.5 million households are making plans to emigrate.

I think we can agree that China had begun long before the massacre to roll back the guarantees provided in the Joint Declaration and to sow early mistrust in the minds of Hong Kong citizens. The first draft of the Basic Law foresees no independent judiciary — no final right to interpret Hong Kong law in Hong Kong. That is left to the National People's Congress. There are no full direct elections until at least 2011, and then, the Legislative Council, filled with appointed pro-PRC members, must approve a referendum, only with PRC backing, to provide for direct elections, which ultimately must also be approved by Beijing.

Not many of us believe that the people of Hong Kong under the current draft will ever have a chance to choose their own officials in any meaningful democratic election. Finally, the Basic Law does not address the ominous inclusion in the Joint Declaration that specifically allows the introduction of the People's Liberation Army into the streets of Hong Kong, replacing the British troops that are now garrisoned there.

I believe that the transfer of 5.7 million people to the control of a government that would so ruthlessly kill its own citizens is a human rights concern not just for the U.S. but for the entire world. The question is what can the U.S. do to help the people of Hong Kong.

Two years ago I introduced a resolution in Congress expressing the concern of Congress regarding the slow pace of implementation of democratic elections, the lack of true human rights guarantees, and the desire to have the Administration — the U.S. Administration — play a much more forceful role in pursuing human rights and democracy for the people of Hong Kong.

I reintroduced that resolution in this Congress. It now has 70 cosponsors, including the Minority Whip, Newt Gingrich, and the Republican conference chair, Mickey Edwards. The resolution serves an important role, I believe, because it is essential for the U.S. to raise its concerns with the government of Great Britain and the PRC at every opportunity, public and private, diplomatic and unofficial.

I think the best step the U.S. can take in addition to public pressure is to use our immigration quota system to put pressure on Great Britain, and especially, on China. On June 15th, I introduced a second matter, a bill to amend the Immigration and Nationality Act, to provide a yearly increase, from 5,000 to 50,000, in Hong Kong immigrants to the U.S. The bill creates a special immigrant status for Hong Kong nationals and operates outside the current 5,000 colonial quota and outside the overall world quota.

The preference schedule used under the present system would be applied to the additional 45,000 slots. And as of January 1st, it is interesting to note that 46,446 Hong

Kong born citizens were on a waiting list to emigrate to the U.S. — some since 1980. My bill would allow all of these people to come to this country.

This bill is urgent, but not merely to attract these talented people to come to the U.S. On the contrary, the people of Hong Kong badly need an insurance policy against the prospect of future Chinese rule. Great Britain has denied, of course, 3.4 million of them, those born in Hong Kong, the right of abode in the United Kingdom, and many fear that, if they do not leave now, they will never have another chance.

Let me talk for a second about Great Britain. I have to admit I am very disappointed with our good ally regarding its Hong Kong emigration stance and what I believe to be a lack of real forthrightness in pushing democratic development in Hong Kong. On the question of full, direct democratic elections to the Legislative Council, for example, more must be accomplished. The ten seats guaranteed for election in 1991 and the direct elections to the local boards, while welcome, are clearly not enough. They provide the citizens little true participation and put no brake on future tampering by Beijing.

It used to be said that Hong Kong people were apathetic, nonpolitical, solely concerned with business and not with elections. Whether that was true or not, I think that the tanks that crushed the demonstrators in Tiananmen Square changed the mood and temperament of Hong Kong and its people forever. As all of you know, massive demonstrations in Hong Kong followed the massacre. One day close to 25 percent of the entire population of Hong Kong marched.

It is an implausible argument that this colony and its inhabitants are not ready to fully elect their own legislators. We now learn of the impending public announcement of the creation of a new liberal political party. Clearly, Hong Kong is poised to take control of its own destiny, if it is allowed to do so.

Great Britain should provide for these full, direct elections in 1991. Any say in the matter that China may have had prior to June 4th and 5th should be completely disregarded. I believe that Britain should stand up to China, vigorously advance the agenda of democracy in Hong Kong, and provide an avenue of escape for the people of Hong Kong.

I really think that providing for direct elections is the most plausible and instructive step that can be made to quell anxiety immediately in Hong Kong. Above anything else, Hong Kong people want a future in their own homeland.

The prospect of Hong Kong people electing their own public officials would surely do wonders for their confidence. And China, wanting a vibrant pearl on its southern border, would be hard pressed to insist on the provisions in the Basic Law that would negate full, direct elections and replace them with a sham legislative process and political system.

On immigration this is a very sensitive situation, and I understand that. Immigration policy in Great Britain is proving as divisive as it tends to be in our own country. I do hope that Prime Minister Thatcher is able to ensure the future safety of the 3.4 million Hong Kong citizens who hold British passports, and I would urge the government in London to look closely at the Corey Report that was just released last week.

Produced by distinguished U.K. economists, this report concluded that the mass exodus of Hong Kong people to Britain would lead to enormous job creation, higher levels of wealth, a more highly skilled work force, and a rejuvenation of depressed areas of the U.K. economy. The smartest thing the U.K. could do would be to get more of Hong Kong's

economy, hopefully the entire Hong Kong economy, lock, stock, and barrel moved to Liverpool.

Significantly, the study is based on a worst case scenario. That is, all 3.4 million passport holders leave Hong Kong and come to Britain. Clearly, that will never happen. In fact, it is estimated that only 6 percent would go to the U.K. So obviously, I do not agree with Great Britain's recent decision regarding the right of abode, but I can appreciate the high emotions that this issue raises in domestic U.K. politics.

In light of all this, U.S. immigration could provide substantial help to Hong Kong. By drastically increasing its yearly quota, the U.S. could say to these people: "Don't worry, if your freedom is suppressed and your human rights are frustrated, the U.S. stands ready to receive you." It also may put pressure on the U.K. to either implement the right of abode or take the lead in providing for a worldwide effort to offer every Hong Kong citizen an escape route from Deng and his henchmen.

Sponsored by Great Britain and the U.S. and including other such sanctuaries as Australia, Taiwan, Singapore, and Canada, an international meeting could be held, directed at the future of Hong Kong and protection for its citizens. These countries could work out a multilateral plan to provide a lifeline for Hong Kong citizens.

At the same time, my immigration bill sends a message to the Chinese leadership to meet their obligations under the Joint Declaration for a high degree of Hong Kong autonomy so that these people will feel secure in their homeland. If China persists in perpetuating its dismal human rights record, then it will succeed in turning a crown jewel – that is, Hong Kong today – into nothing more than an empty purse when it is turned over to them.

Some argue that 50,000 immigrants is too many. The fact is, of course, that Hong Kong people do not desire to leave Hong Kong. If their economic and political freedoms are provided for as guaranteed by the words of the PRC, there will be no exodus.

A 50,000 U.S. immigration quota would give the people of Hong Kong the best lifeline possible, one, it is hoped, they would never have to use. Should the worst occur, however, Hong Kong immigrants would add immeasurably to our society, for who knows best about freedom and democracy and the threat of tyranny than the people of Hong Kong, 90 percent of whom fled or are descendants of those who fled Chinese communism.

In addition, Hong Kong, as we all know, is an economic miracle, an example of capitalism like no other on earth. Per capita income is 28 times higher in Hong Kong than in Mainland China. It is the eleventh largest trading power and has the world's biggest container port. The people of Hong Kong are people of uncommon talent and great entrepreneurial ability. While the U.S. certainly does not seek to drain the colony, if people must leave, the U.S. ought to be smart enough to welcome them here.

In addition, repeated studies have shown that Hong Kong immigrants would not constitute a drain on our system. In fact, in 1975 dollars, the average Asian immigrant family adds nearly \$1,500 to the U.S. Treasury annually.

China may receive Hong Kong in 1997, but it may well be a ghost town. The people of talent, the people of ingenuity will be gone. They will have left because they are acutely aware of the difference between totalitarianism and freedom. They will have voted with their feet.

The U.S. ought to be smart enough to know that, if that takes place, these are exactly the kind of people we need here in our country. We should welcome them with open arms, and they will teach us about how it is to live near communism and see it work up close. They will also add immeasurably to American society and to our own beliefs in the rule of law, human freedom, and democracy.

And while the atmosphere in Hong Kong today is one of pessimism and fear, and the Chinese government continues its abhorrent crackdown, there is still one card held by the world community: and that is time. It is still eight years until 1997 and more than a year before the final draft of the Basic Law is promulgated. We must use that time very wisely. We must speak loud and clear and in one voice.

Great Britain must rededicate itself to the future freedom of Hong Kong. The U.S. must, as the leader of the free world, give its attention and its action and its leadership to the people of Hong Kong. The U.N. should get involved.

If Tibet was not a big enough clue, the Tiananmen Square massacre provides little doubt that the current Chinese government and its guarantees to Tibet and Hong Kong have absolutely no credibility. That is why we have a moral obligation to the people of Hong Kong to help them, and that is the basis for my efforts in regard to this crown jewel.

Mr. Brooks: Before we move to general discussion, Peter Lo will provide a few remarks from the economic and trade perspective on Hong Kong. Peter is the minister responsible for the Office of Hong Kong Economic and Trade Affairs for the British Embassy. Peter Lo.

Mr. Peter Lo: I think it is understandable at times like this that there are predictions of doom and gloom. Business confidence in Hong Kong has recently taken a very nasty knock. But I would like, if I may, to put the situation in perspective. Let me mention a few facts.

Hong Kong has built up a very impressive economic foundation in recent years. We are now the tenth largest trading entity in the world, a leading financial center. Our container port is the world's busiest. All these are indications that we have already become an economic force in our own right. And I would expect that this year our gross domestic product per capita will probably be approaching \$11,000 U.S. That is a very impressive record for an economy of our size.

So, with this sound economic foundation, I think we should be able to weather the current storm. As a matter of fact, history has shown that we have been able to bounce back very rapidly from major economic earthquakes.

There has been reference to the recent turmoil in China's effect on Hong Kong's economy. Despite this turmoil, most experts do not expect any serious erosion of Hong Kong's role as a major financial center. This takes into account Hong Kong's special advantages: our low taxation and absence of exchange control, our very positive, noninterventionist government policy. This will continue to be attractive to foreign investors and foreigners using Hong Kong as a financial center.

Trade with China is of course very important to Hong Kong, but as major markets for Hong Kong's domestic exports, the U.S. and the EEC have always overshadowed China as the principal markets for our domestic exports. Also, in recent years, our exports to the neighboring Asian economies — Japan, Taiwan, South Korea, and Singapore — have expanded tremendously. During the past two years we have managed an average annual growth of 36 percent in real terms with this group of countries. So these all are economic fundamentals that we have built up.

Concerning the comments about whether there would be an effect on Hong Kong-China trade, the border, according to most reports, has become more or less normal, and our processing activities in southern parts of China have not been interrupted. Of course, I have to admit that business investment confidence is quite shaky in the PRC, and Hong Kong investors may be taking a wait-and-see attitude on investment in the southern part of China.

It has been mentioned that the property market has gone down significantly. I would like to mention that certain industry experts have indicated that there are many major development firms who are in very good financial shape, and they would be able to ward off any major easing off of the construction sector. As a matter of fact, the construction sector may well be the engine of growth in the coming months, particularly if the Hong Kong government begins to intervene and start a number of multimillion dollar investment projects like the new replacement airport, new tunnels and highways, and other major construction projects.

There also has been some misreporting about tourism, saying that Hong Kong's tourist trade will suffer seriously because of the situation in China. I agree there may well be a hiccup in relation to travelers shying away from Asian holidays and concentrating on European holidays. But again, industry experts have indicated that the outbound traffic from, say, Japan, Korea, and Taiwan might well be more than enough to cover any slowdown in China-related business.

To give you some statistics, China's tourism last year increased by 6.3 percent. In comparison, Hong Kong tourist trade in 1988 increased by 26 percent; Singapore, 13 percent; Taiwan, 12 percent; Thailand, 24 percent. So again, putting it in perspective, Hong Kong in its own right will continue to attract tourists.

I would like to comment on Peter Ricketts's comments about economic sanctions. I agree with him entirely that economic sanctions would not only affect China, but also have a major effect on Hong Kong. My office is now watching developments in Congress, because we are concerned that removal of the Most Favored Nation treatment toward Chinese products would invariably have a very damaging effect on Hong Kong.

We are monitoring four areas. One, the Jackson-Vanik Amendment, which would allow the Administration to continue MFN treatment to China. The second area is Senator Jesse Helms's proposal in the Senate about suspension of trading credits against China, which will of course affect Hong Kong. The third area is the Senate's amendments to the State Department appropriations bill for 1990 which, among other things, will require Congress to review the Administration's MFN treatment to China. The fourth element is the House proposal. We have heard that there may well be similar proposals for withdrawal of MFN treatment and other trading benefits emanating from the House Foreign Affairs Committee or the Subcommittee on International Economic Trade and Policy.

So we hope that the Administration will take a strong view that any further economic sanctions against China would have a significantly damaging effect on Hong Kong.

I would like to make a point on the right of abode. As Congressman Porter has already said, recent polls show that only 6 percent of Hong Kong people would be interested in residing in England if given right of abode.

The Hong Kong government, however, would very much like the British government to grant right of abode to the 3.2 million British passport holders. This would do much to reassure the people of Hong Kong that it would be in their interest to stay put, to remain in

Hong Kong to shore up confidence, to build up the economic prosperity of Hong Kong without looking elsewhere for immigration. And in the long run, this would do much to help Hong Kong.

Mr. Brooks: A colleague from the Embassy of the People's Republic of China, Chen Mingming, has asked to provide a few remarks from his perspective on the issue of Hong Kong.

He attended the Fletcher School of Law and Diplomacy of Tufts University, and is now First Secretary at the Embassy of the People's Republic of China. Chen Mingming

Mr. Chen: I will be offering my personal interpretation of the position of the Chinese government on the question of Hong Kong.

Much public concern is focused on the question of whether there is any credibility in the commitment of the Chinese government to adhere to the Joint Declaration it reached with Britain on the question of Hong Kong. To find the answer, it would be helpful to put the question into an historical perspective – to look at the record of the Chinese government on the question of Hong Kong over the past forty years.

I would say the record will show that China's policy toward Hong Kong has been a most consistent one, right from the very beginning of the founding of new China until today. There have been no twists and turns. There have been no drastic changes, not even during the chaotic days in 1967 when there was much turmoil in Hong Kong.

Why is this? The reason is very simple: it is because of the importance of Hong Kong to China's economy as a whole, and particularly toward China's goal to reach modernization during the past decade of opening to the outside world. The role of Hong Kong in the Chinese economy has increased tremendously.

Hong Kong is of great importance to China and its economic interests are linked with China. China needs Hong Kong's prosperity, and so does Hong Kong. Hong Kong needs a stable Chinese market for its continued, sustained economic prosperity. This is something that we cannot change. This is fundamental, and should not be ignored.

After the events in Tiananmen Square in June, you may have noticed that the confidence in Hong Kong, as reflected on the Hong Kong stock exchange, was quite good. The points went up, rebounded quite quickly. There was no crash of the stock exchange. And on an average day, there were about 10,000 container trucks going back through the borders between Hong Kong and China's special economic zones. That means, in my view, that Hong Kong's economy has become fully incorporated with the very vigorous, growing economy of southern China, particularly the Guangdong region. Much of Hong Kong's manufacturing industry has shipped its production into these areas. And I have seen no sign whatsoever that such ties are being severed.

The point I want to illustrate is that China needs Hong Kong, and Hong Kong needs China. These economic facts will determine that Hong Kong's future will be stable. I believe that.

Of course, how much confidence will be restored depends on what happens in the next few years, and there are eight full years from now to 1997 when China formally takes back Hong Kong. What is the most important goal for the Chinese government during this period? I think it is to open to the outside world, to develop its economy. This is the most

fundamental goal. China will not change that course. It cannot. Because it has gone so far — there is no way to turn back.

So I am sure that the course of events in the next few years will convince people, and that the Hong Kong people will see that the pledge of the Chinese government can be trusted.

Representative Porter's prediction that in 1997 Hong Kong will become a ghost town is too dire. I do not think that is going to happen.

Mr. Brooks: The floor is now open for questions.

Guest: To Mr. Ricketts, a Reuters wire this morning quoted a *People's Daily* article that said that a precondition of the 1997 reversion to the PRC was that Hong Kong could not be used as a base for "subversive activities against the central government." Given the events in the last two months, the term "subversive activities" seems to be pretty elastic. Does that give the British government any sort of fears as to what may take place?

Mr. Ricketts: I have not seen the article, and therefore I do not want to comment on it. As I have said, we continue to believe that the Joint Declaration contains significant and detailed guarantees for the continued autonomy of Hong Kong, and that is the basis on which we are going to continue to approach it.

Guest: This is a question for Mr. Ricketts. I was in China in September 1988 attending a conference on economic reform, and there was a very sizable contingent from Hong Kong — bankers, financiers, economists, portfolio managers. They told us that Hong Kong's highly skilled human resources were leaving; they are setting up shop in Canada, Australia, all over. So we said to them, if they are leaving in such heavy droves, why aren't property values declining? They said there was a little bit of an illusion. When somebody who has been there for thirty or forty years leaves, someone else, like Amoco, sets up shop because they think there may be future growth in China. Property values are not affected, but human capital is taking a big beating. So my question to you is, even before Tiananmen Square, is it not true that there had been a very significant loss of human capital in Hong Kong?

Mr. Ricketts: Yes, there has been emigration from Hong Kong for many years. There has also been immigration to Hong Kong.

Our attitude is to say that yes, we understand. Of course people are concerned about the future. It is only right and inevitable that they should be concerned.

Some people will decide to leave. We believe in the free movement of people. That is entirely right. Nevertheless, we think that the future for the vast majority of Hong Kong's people is in Hong Kong, and the right course is to make Hong Kong work and prosper, and that is what our policy is directed to.

Guest: I would like to ask Mr. Ricketts another question in that regard. I just moved back from Hong Kong two months ago, and it seemed to me that a lot of the loss of confidence in Hong Kong was in Britain. Emigration, it is true, has been going on for a couple of years. But it has increased by roughly 50 percent every year since 1985, reaching significant numbers now. I wonder to what degree the loss of confidence stems from people feeling that Britain is not sticking up for them, particularly on the passport issue.

I do not think people here realize that, in terms of British passports, Hong Kong is the only place that does not have the right to abode. Explain the standards there while Gibraltar and the Falklands have the right of abode, while a million or so white South

Africans have the right of abode. Explain Geoffrey Howe's comment in Parliament two days after the massacre that Britain could not contemplate granting the right of abode, not because of the numbers, but because it might double the ethnic minority in Britain.

Mr. Ricketts: I cannot give you a tutorial on British immigration and nationality policy because I am not competent to do it. But it is not correct to say that Hong Kong is the only place, the only dependent territory of Britain's, where people do not have the right of abode.

The tradition in British nationality policy toward dependent territories is that citizens of dependent territories had right of abode in those territories, and that has been true certainly since the 1962 act. The Falklands and Gibraltar are two special cases, of course.

I think what Geoffrey Howe has been trying to explain is that Britain alone cannot contemplate writing an insurance policy for three and one-half million people when we might not be able to redeem that insurance policy for practical reasons. The total immigration to Britain since the end of World War II has been something over one million people, so we would be required to commit ourselves to double the size of British immigration since World War II conceivably in the space of six years.

It would be an insurance policy where we could be faced with all the beneficiaries asking for rights under the policy at any one time. That is not something that the British Parliament can contemplate, and parliamentary opinion, I think, is fairly clear on that.

That is why we have suggested – and Congressman Porter's remarks went very much in the same direction – an international effort to give the people of Hong Kong assurance that, should worst come to worst, Hong Kong's friends in the world would rally around. Britain would certainly be a part of that.

Guest: In the latest draft of the Basic Law for Hong Kong there is a provision that China alone would decide whether to declare martial law in Hong Kong after 1997. If this provision becomes Basic Law, I suggest to Congressman Porter he propose a bill in Congress that any declaration by the Chinese of martial law will automatically terminate the Most Favored Nation treatment and other commercial privileges of China and Hong Kong. Also, any use of Chinese force in Hong Kong against the people of Hong Kong should have the same result.

Congressman Porter: I agree with that, although I think what we should do now is to try to remove those provisions from the final draft of the Basic Law rather than to accept them and simply say this is the way it is. The pressure ought to come from Great Britain; it ought to come from the U.S.; it ought to come from all the world's free nations to see that China makes this document acceptable to Hong Kong residents. It has to be made clear that such provisions are not acceptable today or at any time, and that this is the time to make a difference regarding the future of Hong Kong.

Guest: Both Mr. Ricketts, and Mr. Williams, and also the First Secretary of the Chinese Embassy have suggested that China has a definite interest in making Hong Kong work after 1997. Congressman Porter has indicated he is not so sure about trusting China at this point. I agree with that. My wife's parents were sent to a farm after the Cultural Revolution. I do not know what guarantees have been made up to this point, but I would like to ask Mr. Ricketts and Mr. Williams, what guarantees would you like to see made by the Chinese government to ensure the future of Hong Kong? You both alluded to assurances that need to be made for the future situation.

Mr. Ricketts: “Guarantee” is a strong word to use in international relations. The best guarantee is China’s own national interest, and we have tried to establish that in an international document signed by the Chinese government, registered at the United Nations, pledging China’s faith and Britain’s faith in a whole series of detailed ways to make Hong Kong work. That is the best form of assurance we have been able to devise.

Mr. Williams: I do not have any more specific response than that. I think that in a whole host of ways the Chinese government’s actions in the years ahead have to attempt to address this point that you are making, to attempt to provide greater assurance for the people than they obviously now feel after what has happened in the last couple of months.

Congressman Porter: With all due respect to the First Secretary, he said in his remarks that we can rely upon China’s credibility regarding Hong Kong because it needs Hong Kong economically. That does not give me, Mr. First Secretary, any assurances whatsoever. You need your students. You need your intellectuals. And what happened in Tiananmen Square to them?

Very frankly, China has thrown out its national interest to attempt to address the domestic situation in its own way. And the greatest assurance the world could have regarding Hong Kong is for China to move away from what happened in Tiananmen Square and toward democracy and human freedom as rapidly as possible; and then all of us would feel great confidence in the future of Hong Kong and in the future of China.

Ambassador Charles Lichenstein:* It would have had occurred to me, Mr. Ricketts, that the events of June 4th, although not by any means cataclysmic in terms of changing all views about all issues for all time, might have had some relevance to the question not of how you define China’s interest, but how China defines China’s interest.

Our friend from the Embassy made reference earlier to the yearning of his government to open outwards to the world, and I find it extraordinary that it seems not to have occurred to him that one of the ways of causing doubts about China’s openness to the outside world is squashing students in Tiananmen Square.

But the same question applies to you, Mr. Ricketts. How good or how expert do you feel these days about attempting to interpret what China thinks is in China’s best interest?

Mr. Ricketts: Not expert enough, and it is not appropriate for me to do that.

Ambassador Lichenstein: But the policy of your government is clearly based on your own showing.

And I was asking you whether the events of recent weeks have not caused you to wonder a bit about that level of confidence? You do make those assumptions; and I know this as a former member of the same kind of service in the U.S. of which you are now a distinguished member in the United Kingdom – that one always has to make those kinds of predictions.

Mr. Ricketts: It is a Chinese proverb that says prediction is a very dangerous thing, particularly when it is applied to the future.

As I said in my opening remarks, since the beginning of the negotiations, we have founded our approach on the basis that we have a shared interest with China in the success of Hong Kong. We recognize, of course, that since the events of Tiananmen Square,

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confidence has taken a very bad knock in Hong Kong, in Britain, and around the world, and that the Chinese government has a lot to do to repair the damage that it has done.

With that said, we still believe, to the best of our ability, that it is in everyone's interest, including the Chinese government's, for the miracle of Hong Kong to go on being a miracle.

Mr. Lo: Question for Congressman Porter. Before you arrived, sir, the speakers spoke rather eloquently that economic sanctions were bad for the people of China and bad for the people of Hong Kong. Would you comment on that?

Congressman Porter: You are talking about economic sanctions directed at China, like the Most Favored Nation, and OPIC advantages, and the rest? I imagine they are bad for the people of China, but you commented earlier that that would be bad for the people of Hong Kong as well. Please elaborate on that. I think I know what you mean, because the manufacturing activities on the Mainland would be affected presumably.

Mr. Lo: Because of Hong Kong's good position for handling Chinese goods coming out through Hong Kong for export to the U.S., and likewise going into China through Hong Kong, Hong Kong's entrepreneurial status will be immensely affected by the removal of the Most Favored Nation treatment of Chinese exports.

Congressman Porter: How about if we just direct trade at those items coming out of China and allow you to do all of your exporting? You would do pretty well.

Mr. Lo: As far as Hong Kong's exports are concerned, definitely, we have been doing very well with the U.S. Our total two-way trade must be in the region of \$15 billion between Hong Kong and the U.S.

But that is not the issue. The issue is Chinese exports going through Hong Kong, and if these should dwindle, a lot of commercial firms, financial companies, and related trading companies will be very much affected.

Another point is that there are about 900 American firms operating in Hong Kong, and many of them have a very significant economic interest in the southern part of China. And removal of MFN could unwittingly affect them. Many of these firms use Hong Kong as a springboard, as a gateway to China.

Congressman Porter: Well, no one wants to remove MFN status or take away OPIC advantages for China if there is some movement in the right direction regarding China. The difficulty is that not only has Tiananmen Square occurred, but the repression is ongoing.

I heard today on the radio 120,000 people had been rounded up. Everybody that could possibly be rounded up as an enemy of the state apparently has been rounded up. If this ongoing conduct by China would only stop, then we could stop talking about these kinds of economic sanctions and get back to the main relationship. But unfortunately, it continues to go in the wrong direction, and it seems to get worse rather than better.

Mr. Lo: Point taken, Congressman. But I thought that the purpose of this meeting is to see how Hong Kong can be helped.

Congressman Porter: Exactly.

Mr. Lo: And if the talk of economic sanctions were to gather momentum, then the purpose of this meeting would only be jeopardized.

Congressman Porter: And your point is well taken, and I understand it.

Guest: It seems to me two things are involved. The Congressman just brought out one. First, things change. A lot of these sanctions are not permanent. They last until Chinese communists stop the repression and the killing of their own people and the intellectuals. We sat by in the Cultural Revolution and almost applauded them in the U.S. People do not want to do that now. Number two, their treatment of Tibet would seem to have a great effect on people who watch Hong Kong. China took over Tibet with guarantees, and they did not adhere to them. I am interested in hearing comments about that from the speakers. If I were in Hong Kong and saw the treatment in Tibet, I would be very nervous.

Mr. Williams: We in the government are very concerned about the human rights situation in Tibet as well. We have repeatedly, publicly and privately, expressed those concerns to the Chinese government, and we now have the same concerns with regard to the human rights of the Chinese people in the aftermath of what has happened in Tiananmen. Absolutely it is a very strong concern of ours that the human rights of the people of Hong Kong should be preserved.

Guest: But what could be done to give the people of Hong Kong some reassurance? Tibet and the persecution in Mainland China are where sanctions should be directed. But as soon as the persecutions stop, I believe, sanctions will be lifted.

Mr. Williams: The Chinese government commitment has to be the 1984 agreement, which asserts that a Hong Kong system, including the Bill of Rights, will continue in Hong Kong for a minimum of fifty years. It is not the question of the formal words that are there on the paper. It is a question of the credibility of the Chinese government in carrying out those assurances. And as we have said earlier, it is imperative that the Chinese government, over the period ahead, act in a great variety of ways to try to restore confidence in those assurances.

Guest: Mr. Ricketts, our friends and relatives in Hong Kong do not want to wait until 1997. And recently, the U.K. has not moved to do anything about the Hong Kong citizens. Moreover, more must be done in terms of human rights and the drafting of the Basic Law. Democracy is what we want and not just consistency in Hong Kong policy from China. Hong Kong people are concerned not only about the well-being of Hong Kong, but also of China, of their millions of relatives there. This issue should be brought to the international level by granting the right of abode and increasing the immigration quota, which will show that there are other countries that stand by the Hong Kong people. Do you think the British government will take a very active role in initiating these changes in drafting the Basic Law to bring more human rights terms into it?

Mr. Ricketts: Human rights, yes, a very active role. We are going to be introducing, and the Hong Kong government is going to be introducing, a Bill of Rights. This is not something we have in the U.K. with our unwritten constitution, but we think in view of recent events, it is right to give that added degree of reassurance by entrenching a Bill of Rights into the framework of law in Hong Kong, which will then transfer in 1997.

On right of abode, I think that the British government is working on a scheme to extend somewhat the area within which right of abode can be given to certain categories of people in Hong Kong. The details have not yet been published. And we are working with the rest of the international community to ensure that friends and allies of Hong Kong around the world realize what we are thinking now, and should worst come to worst, how we will cope. I think we are active in all those areas.

As I said in my remarks, we recognize that people from Hong Kong need the assurance that, should things go wrong between now and 1997, the international community will be there to help. We are in touch with many governments around the world, drawing that to their attention and encouraging them to think along the same lines.

Guest: My question concerns the missing link in all of this. Is it impossible for a communist police state to transfer to a democratic state? There must be some form of transition whereby a communist police state can become a better place for political freedom.

Mr. Brooks: I would answer this question in two ways. First, there are many key signs that we should look for in trying to discern whether a country is developing a democratic system. These include, among others: free elections, respect for the rule of law, due process, freedom of the press and freedom of speech, the right to move freely from one part of the country to another and beyond national borders, the existence of free or unfettered markets, and the freedom to engage in market activities. Obviously, by these standards, China is still an evolving democracy.

Second, the U.S., in my opinion, has had a significant role in influencing the growth of the idea of democracy that we have seen most recently in China, particularly in Tiananmen Square. Indeed, China's economic and cultural contacts with the U.S., which have included a virtual army of some 40,000 Chinese students visiting the U.S. each year, have helped spur the demands for political reforms that have fostered the student movement. In a sense, contact with American institutions, businesses, investors, tourists, and culture has been a virus that has infected China with the idea of democracy. There can be little doubt that that idea of democracy already has blossomed in China; respect for that idea by those who hold the reins of power in the government of China is yet to be seen.

Guest: There has been a proposal that has been discussed, I gather, by some Chinese students who were in Paris, and it has been brought up in the Kuomintang. It was the subject of an editorial in the European *Wall Street Journal*, which said, "From what the world has just learned, a strong case can be made that the British must hand Hong Kong back to China, then it might make more sense to give it back to the Nationalist government in Taiwan." My question is based on the fact, Mr. Ricketts, that you began your proposal referring to the much earlier treaty that, to a certain extent, pushed the British in the direction of ceding Hong Kong back to China anyway. And so, if we are going back to this early historical question, cannot we also go back to which government is China?

Mr. Ricketts: It is an interesting thought, and it is curious how the 19th century can still leap forward into the 20th century and leave us a legacy of problems that I imagine were never dreamt of in the 1840s when the treaties were first signed. Our best constitutional judgment is that we have no choice but to cede sovereignty of over 92 percent of Hong Kong to the People's Republic of China in 1997, and that the remaining 8 percent of Hong Kong would not be viable on its own. And that is the best answer I can give to a very interesting question.

Guest: I am curious about the individual economics of the emigres. When we are talking about so many thousands of them, it is a big question.

If a factory owner wanted to leave, how could he get his capital out? Is the Chinese government going to buy his factory? How does he come out with anything to start with?

Mr. Lo: There is freedom of movement of capital in Hong Kong.

Guest: Who are they going to sell their factories to?

Mr. Lo: It is a commercial decision in that case. And that is a hypothetical question, I think.

Mr. Brooks: Merrit Maddux from Manufacturers Hanover Trust might add a few comments on this question.

Mr. Merrit Maddux: To answer your question, there are a lot of offshore banking accounts in Hong Kong, so many people already have the money in the Channel Islands, the Cayman Islands, something like that. Also, a lot of the light manufacturing factories in Hong Kong are owned by the PRC. The people in Hong Kong just have title to the goods that flow out.

Guest: They could just walk away from their capital then.

Guest: I think that is a very good question. It is the counterpart of the question I asked about human resources leaving. The questioner is right. No one is going to want to buy the plant, so what they do is depreciate — let it wear down. And if this continues for another eight years, there will be a terrific loss of the physical capital stock there.

Mr. Brooks Dr. Jimmy Chao, Visiting Fellow at the Asian Studies Center.

I have heard Mr. Ricketts talking about the national interests of the People's Republic of China over and over again. Aren't you talking too much about the PRC's interests? Since this conference is about the future of Hong Kong, shouldn't we be talking about the interests of Hong Kong people or your own interest instead of Peking's?

Mr. Ricketts: I am delighted to talk about our interests and Hong Kong's interests, but I keep being asked questions about why should you trust the Chinese government, and how can you get guarantees from the Chinese government. We have not yielded to Chinese pressure on representative government. We made the best estimate we could at the time of opinion in Hong Kong, and as events have shown, we now need to reconsider that.

But in 1984 and in 1985 when we were making those judgments, opinion in Hong Kong was not nearly as far advanced as it is now in favoring broader, direct elections to the Legislative Council. We are keeping in step with Hong Kong opinion, and we will continue to respond to it.

Guest: I am Ruby Ace of the Federation of Overseas Hong Kong Chinese. I would like to discuss the role the U.S. should play after Tiananmen Square.

It should be a very active role for four reasons: One, because of U.S. economic interests in Hong Kong; second, because of U.S. assurances of political stability in Asia; third, because of the U.S. traditional fostering of the values of democracy and humanitarianism and human rights; and finally and most important, because of Britain's abdication of its moral obligation to its own colony, a place it colonized over 140 years ago.

Our view is whatever actions and role the U.S. wishes to assume should aim to promote stability and confidence in Hong Kong. And the methods to effectuate this aim are via major revisions to the Basic Law. In order to accomplish that, I think Hong Kong needs the U.S. to urge the U.K. to renegotiate the Basic Law so that it reflects the voice of the Hong Kong people.

Since 1984 the key players in the negotiation of the Basic Law have been Great Britain and China. There is no reference to the wishes of the six million Hong Kong people. We, therefore, urge the U.S. to talk to its friend, Great Britain, to renegotiate the Basic Law such that it would incorporate basic rights, human rights, and protect individual rights and liberties.

The representative from Hong Kong, Mr. Lo, provided a very rosy picture on the economy of Hong Kong. But that economic prosperity, according to Mr. Lo, is based upon Hong Kong's status as a colony for the next eight years, and no one knows what is going to happen after 1998.

Another way to ensure confidence is to urge Great Britain to write into the Basic Law a provision whereby an international tribunal would arbitrate disputes between Hong Kong and China. That should preserve a balance of power in the event of a dispute between a power and its dependent territory.

Mr. Williams: I will not comment on your fourth point about your view of what the British have done, but your first three points are the same ones with which I started my presentation. That is, the strong U.S. interest in the human rights of the Hong Kong people, the business interests of the U.S. there, and the broader question of East Asian stability.

When you say the U.S. should take a much more active role than it has, I would be interested in knowing more specifically what ideas you have as to what we might do. We certainly want to consider as fully as we can what the U.S. appropriately should do.

You stated that the U.S. ought to urge the U.K. to do things it has not so far in the way of reshaping or renegotiating the Basic Law. On that subject, Peter Ricketts has already been responsive. I mean, a central point that you are making is that the Basic Law ought to incorporate provisions for basic rights, human rights and so forth.

Perhaps Mr. Ricketts can say a bit more about that and also about the other specific point that you make about seeking international arbitration of disputes.

Mr. Ricketts: Let me just say one or two things. The drafting of the Basic Law is a Chinese law. The British government does not have any officials on the Basic Law drafting committee. On the other hand, there is a range of Hong Kong people on the Basic Law drafting committee. So it is not correct to say that Hong Kong's voice has not been heard in the drafting of the Basic Law. A range of opinion in Hong Kong has been represented on the Basic Law drafting committee. The British government has not. However, we do have a very clear interest in ensuring that the Basic Law is consistent with the Joint Declaration.

I have already said that, since the events in Tiananmen Square, the British government has publicly made clear and urged the Chinese government to reconsider a number of aspects of the Basic Law that we think now need to be looked at in light of the current situation. These include: the article about declaring a state of emergency and other articles of the Basic Law. I am delighted to take note of and consider the point that you have just made.

Mrs. Ace: Are you prepared to consider a referendum to solicit the views of Hong Kong people as to how much business confidence they have in Hong Kong territory, what their intentions are with respect to emigration, and whether there is satisfaction on the provisions of the Basic Law? I think that is the surest way of ensuring democracy in Hong Kong.

Are you prepared to fight for a referendum, the same kind of referendum that Great Britain had before it decided to join the European Community back in 1973?

Mr. Ricketts: Again, I take note of the idea of a referendum. It is one that has been made before. I do not believe that there's a tradition of having referenda in Hong Kong. But certainly making as full an assessment as they can of public opinion in Hong Kong is a tradition that goes on in the Hong Kong government. The idea of a referendum is certainly

there on the table. In the end, it will be for the British government and Hong Kong government to decide. But I certainly can take delivery of the suggestion.

Guest: Coming from Hong Kong as a Hong Kong Chinese, I can feel the pain that people will experience if the economy continues to go down. But I think we have to use our reasoning and find out why the economy has gone down. I agree exactly with Mr. Porter that the economy is down in Hong Kong not because of the internal law of economics itself, but because of what happened in Tiananmen Square. That is, the massacre of a government of its own people. And in eight years' time Hong Kong will be returned to China, and we are part of that population. And I think Mr. Porter has also been clear in stating that in recent years there have been indications that the people of Hong Kong have become very political, clearly stating in 1986, especially, that they wanted direct elections, that they wanted more democratic processes in Hong Kong.

People in Hong Kong have also found out that, if there is no democracy in China, there will be no democracy in Hong Kong; and because of that, there will be no way of guaranteeing their security when they return to China in 1997. Therefore, in this context, even if people have to undergo a little bit of economic loss in the process, I think we still must urge the U.S. government and other governments to apply economic sanctions. In that way, the PRC would know that what they have been doing and what they continue to do is not welcome and is condemned by the international community.

This is one way that the other countries can help the Chinese people secure their own democratic demands. It is in this way that the security and the confidence of the people in Hong Kong toward the future will be stated, and they will have confidence in their own future.

Mr. Williams: I certainly understand your feelings, and I want to say a couple of things about the U.S. government's actions in the aftermath of the Tiananmen events.

The U.S. government has taken a very substantial number of measured steps to express the very strong reaction of the government and people in this country. The suspension of military interaction, the suspension of high-level exchanges, the withdrawal of support, in conjunction with our friends and allies, as far as loans from international institutions are concerned — a lot of things have been done. In addition, there is clearly going to be a very substantial effect on the tourism and other business trade in China.

The question, therefore, of economic sanctions is, should we do more than we have already done? I think that, when you look at that question, you should look also at what is the likelihood that such sanctions would be effective.

I think what you are suggesting is that they would have an effect. I can only say that many, many people over long periods of time have reached a different judgment, which is that economic sanctions generally do not prove effective. There are questions, too, of what the worldwide reaction would be, whether many things could be purchased by the Chinese government but simply from different sellers than the U.S.

These are all questions about the effectiveness of economic sanctions. And I think it is very true that we should not forget the effect of such things on the Hong Kong economy, which I think could be very substantial because of the strong links between the Hong Kong and South Chinese economy.

And so I think it is a very mixed question, the one that you are raising. I respect that some people could reach different judgments, but we think that the President's program of

measured response has sent a very clear message to the Chinese government already as to how this government, how this country, feels.

Guest: I would like to bring something into this discussion that may be of value to Congressman Porter and others concerned about the development of plans for Hong Kong. I speak as a professor of law with an acquaintance with this business of 99-year leases and 150-year leases. This was a development that once occurred when there were problems about an outright conveyance of something. There is perfectly justifiable authority for treating these long-term leases that were fashioned in an era where that was just one real estate device. So perhaps this territory was given to Britain, belonged to Britain under its type of government, a constitutional type of setup for a century and a half. And we need not start with a concept that the lease will terminate as of this day, and we are helpless; we must now negotiate as best we can under the circumstances.

Mr. Ricketts: I respect the Professor's knowledge and expertise. I think, frankly, it is not a very fruitful line of inquiry. I think that issue has been determined, and the British Parliament has accepted that we will observe the terms of the lease.

Guest: I want to ask Congressman Porter regarding additional places for immigration into the U.S. from Hong Kong. I understand his rationale — that he has a particular interest in Hong Kong — but if we are going to give special immigration quotas, I am a little troubled about singling out Hong Kong.

There are people who have been in camps in Thailand for eight years out of Cambodia; there are people in China who are allowed to leave by the Chinese but cannot get visas into the U.S. because they do not qualify under American immigration law. I just wonder, on the scale of human misery if you will, why the potentially bad situation that the Hong Kong people might find themselves in justifies thousands of visas, when people who already are in much worse situations apparently are not justified.

Congressman Porter: What happened in China recently has riveted our attention on what can happen in Hong Kong. And while you may make that argument, part of what I am proposing is simply to pressure our friends in Great Britain to be more forthcoming on what I see as their primary obligation for the people of Hong Kong.

But if you put it in the context of immigration questions, if Great Britain is going to refuse these people the right to live there, I think it would be in the best interests of the U.S. to have them come here if they must leave. But primarily to pressure Britain, on the one hand, and China, on the other, regarding the future of Hong Kong is the reason to propose that policy.

I have to say to the professor regarding his proposal, that we have a Supreme Court that often thinks exactly the way he does. That is the most innovative and creative thinking I have ever heard: 99-year leases are really intended as conveyances. Very good.

Mr. Brooks: The question of what role the United States can play in post-Tiananmen Hong Kong perhaps has not been answered definitively today, but certainly we have heard some very good ideas about what that role might be.

Thank you very much for coming.

