



THE ATLANTIC REPORT

on the World today



Hong Kong



THE rigid United States trade embargo against Red China is a critical wound to Hong Kong, which was founded and lives solely by and for trade. After the U.S. and UN restrictions against China took effect in 1951, Hong Kong's annual trade dropped by nearly a third, as the uncrowded look of Hong Kong's spacious harbor testifies. His Excellency the Governor, Sir Alexander Grantham, proclaimed that the embargo had cost the colony a million tons of trade in a single year.

Insult is added to injury by the refusal of the outside world to recognize that the Hong Kong government enforces the UN restrictions loyally, efficiently, and to its great disadvantage. Resentment is compounded by the fact that a constant surveillance is maintained over Hong Kong's business and businessmen by United States officials with power to black-list or otherwise penalize firms suspected of misusing U.S. dollars or goods for Communist benefit.

All of this pressure tends to make the field of China trade look a great deal greener and more fertile than it was before the Korean War began or than it is likely to be soon again. In 1951 trade resulting from the Korean War, before embargoes were imposed, gave Hong Kong an all-time high of HK\$9303 million in trade. In 1949 Hong Kong's total trade had amounted to HK\$5064 million.

China withdraws her trade

The China trade had begun to wither before the Korean War. The West accepted this fact with reluctance, but it was not in its power to do much about it. China itself was putting the blight on the China trade. This was first acknowledged by Hong Kong businessmen when their ranks began to

swell as fellow traders pulled out of Shanghai, Peking, Tientsin, and Nanking. By 1952, Jardine, Matheson & Co. Ltd., mercantile giant of the China trade, reversed its policy of maintaining establishments and enterprises on the mainland. The firm issued an announcement that "trade in China" was perforce to become "trade with China."

More recently British trade officials in London have expressed the opinion that trade with China, even if the embargo were lifted, would only amount to "small change." Propaganda to the contrary, China has proved again and again that, whenever possible, it prefers to trade with the Soviet bloc. Furthermore, Peking has neither the cash with which to buy nor a surplus of exportable goods with which to barter for imports on a large scale.

The London *Economist* has pointed out that the Communists "continue to hound British firms in China, humiliate British businessmen and make it as difficult as possible for Britain to trade with them." Today the Chinese government variously confiscates and requisitions British business holdings on the mainland, runs them itself, and exacts toll from the rightful owners for this unrequested favor. In other cases it holds Western firms hostage by refusing to liquidate their obligations or grant exit permits to their employees. The Chinese government demands from Western firms seeking Chinese products 100 per cent payment in advance. On products China wishes to import, little or nothing is paid in advance, and shipments may be refused on arrival.

Even the most stubborn of British traders admit that this is a poor way to do business. At present China's external trade lies 70 75 per cent with the

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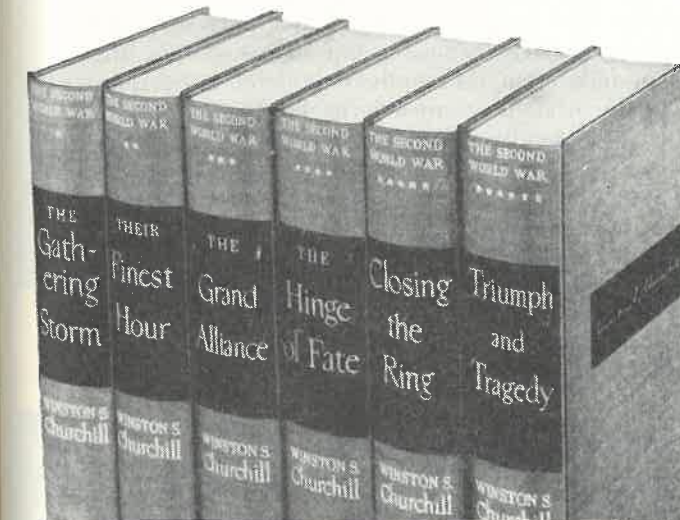
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The Atlantic Report on Hong Kong

Soviet bloc (as contrasted with 20 per cent pre-war), and the chances are it will stay that way. This is what the London officials have in mind when they warn that a lifting of the embargo will not per se restore the China trade.

Modern metropolis

Refuge and last outpost of the China trade, the small portion of Hong Kong's mainland stands border to border with China, and its island portion rises sheer from the sea within narrow reach of surrounding Communist islands. Little more than a century ago Hong Kong island was almost uninhabited. It was a tribute of the Opium War, in which Britain opened China's doors to trade; and in London, Hong Kong was considered poor spoils. It was said to lack everything but "abundant supplies of granite and cold water."

Today, well-engineered roads have been carved into the sides of the granite peaks. European health and sanitation measures have been installed. Well-trained native police enforce British law and order. Hong Kong is perhaps the last spot in the Far East where one can walk about the streets at night and have no fear.

The colony has every metropolitan convenience, and its luxuries are affordable even on the small scale of pay common to British officialdom. Its sports include tennis, golf, yachting, cricket, racing; and its entertainments range from recitals by concert violinists to a first-rate circus transported all the way from Berlin. The island is magnificent in physical beauty and rich in the most graceful and congenial features of British colonial living.

Unlike other British Crown Colonies, Hong Kong is not a permanently settled, materially promising area with natural resources demanding development. It is purely and simply a trading port. Its ships and lifelines go out to all the world. Its Britons go home to retire, and its officials rotate to other British lands in need of administration. Its natural resources are still largely limited to "granite and cold water." It depends for much of its food on the produce of the mainland. Remnant that it is, Hong Kong can live only by trade. But the form and direction of its trade are changing.

Hong Kong's new industries

Diminished trade with China, the very factor that is maiming Hong Kong, is stimulating the growth of local light industries and a search for new markets. That this 391-square-mile territory would house factories and produce goods of its own was

little envisioned when Hong Kong was fashioned as a mart to handle and transship the wares of every other land. Credit for establishing Hong Kong's new industries goes largely to refugee Chinese from the mainland who brought both money and ideas to the colony. Today native products account for 30 per cent of Hong Kong's exports, and officials expect the percentage to climb rapidly.

Thirteen cotton-spinning mills, with over 200,000 spindles, are turning out fabrics, yarns, and fibers. They account for the greatest proportion of locally made exports. Other factories produce straw and bamboo furniture; objects made of ivory; aluminum and enamelware; plastics; flashlights and batteries; rubber boots and tennis shoes, the popular native footgear of the Far East. In price and quality these products are below their Western prototypes, but they suit exactly the markets of such countries as Indonesia, Thailand, Malaya, Indochina, and India.

Hong Kong has over 2200 listed factories employing more than 20 men each. To most Westerners these factories are little more than workshops. It is impossible to find unused floor space in the tiny premises. In a furniture factory, for instance, a completed chair must be hoisted to the ceiling before another can be started. In even smaller lofts and back-alley lean-tos, which are also known locally as factories, 100,000 workers are turning out more exportable goods. The only check on further growth of local industry is a shortage of space. Eighty million Hong Kong dollars are awaiting investment in local manufacturing as soon as work sites can be had.

The Chinese refugees

Without these new enterprises the UN embargo would have taken greater toll not only of Hong Kong's over-all commerce but of her people, the thousands upon thousands of patient, industrious Chinese who have crossed the border as refugees from the mainland. The squatters provide Hong Kong's greatest and most heart-rending problem. They are, however, only half of the general housing problem. The Colonial Government has never done its utmost to see that new housing was erected for the poorest Chinese who are permanent residents and citizens of Hong Kong. The official attitude seems to have been that overcrowding was unavoidable so long as immigration was more or less unrestricted.

The government concentrated on the enormous task of keeping existing tenements clean and avoiding epidemics. Thus, many of Hong Kong's perma-

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nent Chinese residents are packed together, 2000 to the acre, in four-story tenements, in conditions that a quasi-official Colonial Office book has called "in some ways... worse than [those] in England in 1840."

No outstanding progress has been made in rehousing the squatters. Until recently the government seemed not to realize that the squatter problem was a permanent one. Since 1941, Hong Kong's population has risen from 1.5 million to 2.5 million. This refugee influx was generally viewed as a situation that would mend itself. Experience had taught that upon improvement of conditions in China or worsening of conditions in Hong Kong, the refugees would go back. Although crowded and slumlike living conditions here have worsened for them as their number multiplied, they have not gone back.

By the end of 1953, 42,000 squatters had been accommodated in some 8500 dwellings under a slow but forward-moving government housing scheme. Suddenly more than that number were deprived of even their temporary shacks. On Christmas Day of 1953 the worst fire in the history of the colony destroyed a village of 5000 huts and left 60,000 refugees homeless.

Peking Radio blamed British imperialism for the fire, citing "enforced" slum conditions and failure to supply the squatters with fire-fighting equipment. It made no mention of the heroism of the Hong Kong fire-fighting forces, nor of the fact that the crowded conditions are the result of the great influx of Chinese fleeing from Red China across the border.

Sleeping in the streets

The tragedy had one salutary result. It vividly brought to the foreground of the colony's consciousness the plight of its poor, a problem which the people of Hong Kong all too successfully keep in the back of their minds. Emergency relief was prompt. Food and first-aid centers were immediately established. The refugees, banned by police from squatting on roofs, took shelter on the pavement and under verandas. Rice and clothing were given and cash donations of HK\$2 million were distributed.

In addition to this locally raised fund, cash gifts were received from

the United Kingdom and United States (U.S.\$150,000) governments, from the Pope and individuals in China. While the local subscription of HK\$2 million seemed a good figure, it was pointed out editorially that a community less accustomed to a double standard of living might have raised more.

With commendable speed the government cleared the fire area and began new construction on the site. By the middle of February the first of the fire victims had been moved into concrete huts, each housing four families and costing HK\$10 per month. To indicate how much money this is to a squatter, it may be pointed out that a rickshaw boy, who feels himself fortunate because of his steady job, averages HK\$3 per day or 51 cents in U.S. money.

The fire victims will be moved into their new homes at the rate of 70 families a day until all are accommodated. It is felt that the permanent squatter rehousing scheme will gain impetus by the example of this fast-moving operation.

No voice in the government

The Chinese squatters have one thing in common with their richer Chinese brothers and with the colony's Europeans. None has a voice in the government. There is no elected representation of the people to the governmental bodies that count. The government, though benevolent, is undisputedly an autocracy.

Oddly enough, there is little demand and less enthusiasm on the part of the Hong Kong population for democratizing its undemocratic government. Unlike such colonies as British Guiana, Jamaica, and the Gold Coast, where there is a rooted native population, Hong Kong's inhabitants have shown little wish to touch the governmental reins, let alone to seize them. Even Singapore is taking some beginning steps toward self-government.

Hong Kong's singularity is attributed to the fact that its population, 90 per cent of which is Chinese, has little sense of loyalty to Hong Kong as a homeland and less sense of belonging there. This trading port has been likened to a department store—complete with welfare services—and the point is made that few of those who

use a big department store concern themselves much about its management.

Such concern as there is manifests itself generally in the Reform Club. This organization, the nearest thing there is to a political party, is agitating for two elected seats on the Legislative Council, but it is not going about it in a way that promises accomplishment.

The only body with elected representation is the Urban Council, which is concerned chiefly and effectively with the colony's health and sanitation. While it is a most useful group, it cannot be compared in any way with a board of aldermen. Still, some democratic stirrings are visible within its confines. It has recently increased the proportion of its own elected membership and enlarged the limited group that elects it.

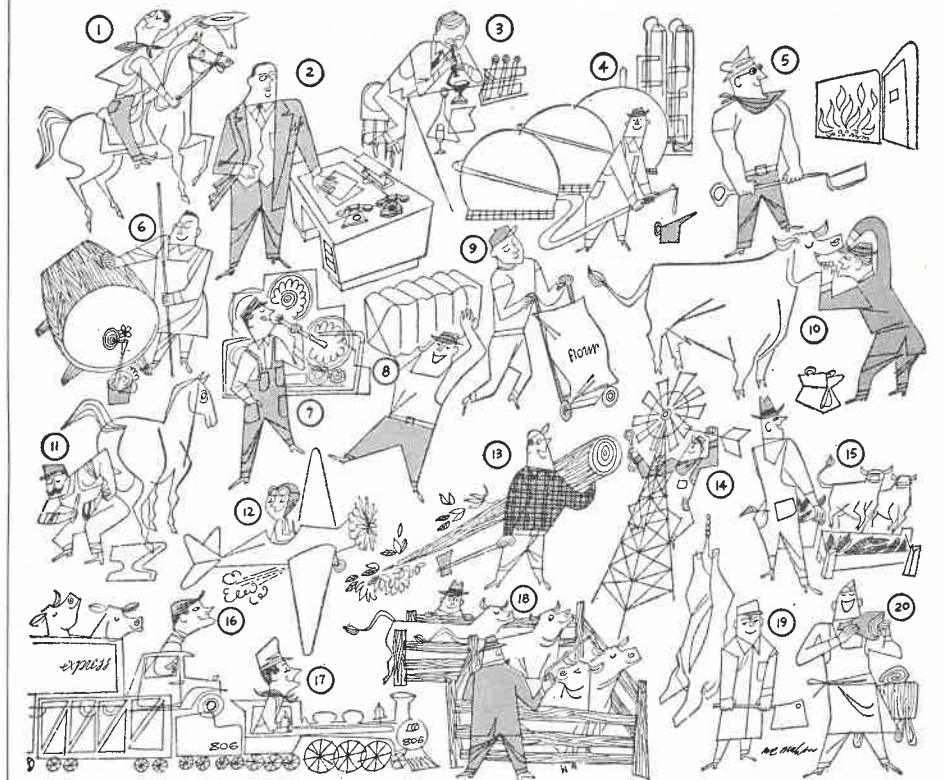
The Queen's government

Hong Kong's real government is administered by a Governor as the Queen's representative. He is advised by an Executive Council, a sort of cabinet, and a Legislative Council, a sort of Parliament. The cabinet is responsible not to Parliament, in the British fashion, but only to the Governor, and the Legislative Council is not elected, but appointed. It does, however, pass all laws and approve all public expenditure.

However outmoded this form of government may seem in the modern world, it works very well here and now. With quiet confidence in a sure and stable government, Hong Kong goes about the business which it is permitted, and seeks new business to replace that which is restricted. There has been some relaxing of economic controls by the United States since the fighting stopped in Korea, but the embargo remains.

Hong Kong's history is a record of abnormality. The abnormal is normal. In its current abnormal condition, the colony's diminished trade must not be construed to mean that Hong Kong is a ghost port. It is simply not a boom port. New measures are being taken to ensure Hong Kong's trade despite the falling off in the colony's entrepôt function. Recently the U.K. has concluded contracts which turn Japanese trade toward Hong Kong.

How many people does it take to make a steak?



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We'll make ourselves clear.

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5. The steelmaker who provides a multitude of items, from fencing and branding irons to filing cabinets.
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