

# COSMOPOLITAN CAPITALISTS

An aerial night photograph of Hong Kong's skyline. The image shows a dense cluster of skyscrapers, with the Bank of China Tower prominently featured in the center. In the foreground, the illuminated dome of the Hong Kong City Hall is visible. The city lights create a warm, golden glow against the dark sky.

HONG KONG

AND THE CHINESE DIASPORA  
AT THE END OF THE  
TWENTIETH CENTURY

EDITED BY

GARY G. HAMILTON

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**Hong Kong and the Chinese Diaspora  
at the End of the 20th Century**

*Edited by*

**Gary G. Hamilton**

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GARY HAMILTON



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## Introduction

GARY HAMILTON

At the stroke of midnight on the 30th of June 1997, in a convention center built for the occasion, Prince Charles, the next king of England, symbolically handed the sovereignty of Hong Kong to Jiang Zemin, the President of the People's Republic of China. From that moment forward, Hong Kong was officially a Chinese city. Journalists hailed this transfer of sovereignty as an extraordinary historical event, signifying the end of British colonial presence in Asia and the beginning of a new Asian era. In apparent agreement, several hundred thousand persons descended on Hong Kong—former civil servants, past residents, tourists—all wanting to be there to witness “history being made.”

Great events, such as this change of government in Hong Kong, do indeed cause history “to be made,” in part because they blur, if they do not actually distort, historical perspective. Such moments capture the public imagination, sometimes by crystallizing widely held anxieties about the future. Public figures and the mass media seize on these events and try to turn them into collective representations, symbols capable of creating a shared cultural space that spreads beyond a specific time and place. Like a black hole, the seeming gravity of great events compresses all strands of history, pulling them into a common core and redefining them in the light of the moment. From now on, many analysts will find it appropriate, if not necessary, to make all paths from Hong Kong's pre-1997 past lead inexorably to the handover and to make all post-1997 changes the inevitable outcomes of the change in government.

One should not minimize the importance of momentous occasions, but such events should be placed in the context of history, rather than placing history in the context of big events. The type of history I have in mind here is not a linear, unitary succession of happenings, but rather the multiplex, non-linear histories of the type that Fernand Braudel (1976, 1984) so eloquently described. Different spheres

of human society possess different structural parameters and hence move with different rhythms and with different consequences for the society as a whole. Human demography, for instance, has a different history than politics; the growth and spread of technology has a different history than popular culture and social movements. Obviously demography, politics, technology, and popular culture are all interrelated, but the significant events in one set of histories would not necessarily be equally significant in another set.

Indeed, it is equally obvious that all the histories that might be written about Hong Kong do not converge on a timeline dictated by the 99-year lease for the peninsula jutting out from China's mainland toward Hong Kong Island, which was signed by the imperial Chinese and British Governments in 1898. The lease for this land, known as the New Territories, may have established some loose parameters for political relations between England and the government of China, by setting June 30, 1997, as its ending date. But had the lease been for 50 years, or 150 years for that matter, political decision making about what to do when the lease expired would have worked out quite differently. As it was, when the British and Chinese began to negotiate in the early 1980s, they did so in the context of a Hong Kong that was then in the midst of a most profound capitalist transformation, along with the rest of East Asia.

In the four decades before the handover, Hong Kong changed from a struggling entrepôt to one of the core areas of global capitalist expansion. The transformation is apparent in Hong Kong's skyline, in the fashionable clothes that its people wear, in nearly every aspect of life in Hong Kong, all of which seems to be updated every year. A colonial backwater in the 1950s, Hong Kong became, successively, one of the main manufacturing, financial, and service centers of East Asian capitalism. But more than that, Hong Kong became the center of so much of Asia's vitality. A producer of more movies than Hollywood, a fashion center nearly as important as Paris, and a tourist mecca, Hong Kong is Asia's New York, Paris, and Los Angeles all rolled into one city.

Hong Kong's metamorphosis took place in an unbelievably short period, in the span of less than two generations. Those were heady times, for it seemed that the successes would never end. Economic, political, and social triumphs followed one after the other and built on one another so naturally that continuing good fortune seemed inevitable.

The Asian business crisis has, of course, broken Hong Kong's string of successes, at least for the moment. Less than a year after the handover, immersed in a severe economic downturn, Hong Kong stumbled from one unfortunate incident to another: floods, a mysterious and deadly flu carried by chickens, a red tide that killed great quantities of fish, a precipitous decline in tourism, serious snafus at the new airport, a property market that fell by 40 percent, and a stock market that

fell by over 50 percent. On the eve of the new millennium, instead of anticipating the arrival of the Pacific Century, Hongkongers are braced for the worst yet to come.

But, unlike the current crisis of confidence, a century ago, in the last years of the Qing dynasty, China was awash in adversity and pervasive uncertainty. Losing every war, embattled on nearly every front, the Qing government found itself ceding and leasing bits and pieces of Chinese soil merely to remain in power. This was the period during which the New Territories became part of the Colony of Hong Kong. In 1898, the year the lease was signed, the British could not have foreseen a capitalist transformation anywhere along the China coast, let alone one centered in Hong Kong. At the time, Westerners wrote mainly about China's poverty and backwardness. In fact, as late as the 1950s, observers did not sense any economic development in the region, even though, in retrospect, the beginnings of growth were evident even earlier. By the early 1980s, however, British and Chinese negotiators both saw what they interpreted to be a long-term capitalist trajectory, and projecting that trajectory into the future, they wrote and signed the Sino-British Joint Declaration. The secret and relatively brief negotiations were followed by an abrupt announcement giving all of the colony, and not just the New Territories, back to China. It was a clear case of making a quick political judgment based on an interpretation of what Braudel (1979, 1984) calls "*La longue durée*".

*La longue durée*, duration over the long term, refers to those background factors and very long-term historical phenomena that structure events but do not actually cause them. In explaining the rise of Western capitalism, for instance, Braudel (1977: 6f) argues that "mankind is more than waist-deep in daily routine." These mundane routines are the "structures of daily life" that change only slowly but nonetheless prepare the way for patterns of shorter duration, such as cycles of political leaders and their regimes, without determining the concatenation of events. Distant first causes and a chain of fate, therefore, cannot effectively explain the world we know today. Equally, the explanation of our times cannot be set adrift in a sea of current events, so that only historical accidents and proximate causes can account for human destiny. Obviously, some combination of long-term trends and immediate and short-run conditions best explains the twists and turns of our times. With this in mind, when we look at Hong Kong at the turn of millennium—at its splendor as a world city, its centrality as a primary node in the global economy, and the ups and downs that go along with its position in the world—we would do well to keep in mind the multiple, complex trajectories that, through their conjuncture, make up the constantly surprising world that we see represented there today.

This book examines some of the most important trajectories and background factors influencing contemporary Hong Kong. The nine chapters, which began as

presentations in a lecture series, place contemporary Hong Kong in a number of diverse historical and comparative perspectives that cumulatively build a complex, multileveled portrait of Hong Kong and Hongkongers at the end of the twentieth century. The essays are arranged to move from the more general and historical topics to the more immediate and contemporary ones. The authors of these chapters locate multiple perspectives that illuminate trends shaping Hong Kong today. With some oversimplification, these perspectives can be arranged into three categories: the patterned flows of people, products, and capital; the changing dynamics of how people identify themselves; and the politics of creating a new order.

#### FLOWS OF PEOPLE, PRODUCTS, AND CAPITAL

When most people conceptualize Asian capitalism, they think of Asia as a set of discrete economies lined up one after another. The first and most often-cited lineup consists of Japan, South Korea, Taiwan, Hong Kong, and Singapore. Later, in the 1980s and 1990s, as economic growth spread throughout Asia, China and most of the countries in Southeast Asia joined the list. The listed countries are known by their acronyms (NICs and NIEs) or by bestial metaphors (dragons, tigers, and geese). Collected country by country, economic statistics also support the view that each national economy is discrete, measurable, and in the process of becoming capitalist.

In truth, however, political and economic boundaries rarely coincide, and they certainly do not coincide in Hong Kong, which has one of the world's most globally networked economies. Moreover, capitalism is not a stable and readily identifiable configuration that, like a flower, suddenly bursts forth in bloom. Instead, capitalism is merely a term that covers an extremely wide range of diverse economic activities organized in the context of competitive markets and whose institutional conditions include private ownership and non-state decision making. Economic statistics only represent an aggregation of individual and collective actions compiled according to predetermined categories. The contents and limits of these actions, however, are determined, not by a politically sanctioned line on the ground or even by the categories of their classification, but rather by the most diverse and intersecting conditions imaginable—some global, some national, some local. As I describe in the first chapter, instead of equating it with national economies, capitalism is best conceptualized in terms of the organized economic activities and institutional conditions that constitute it, and countries are best conceptualized as locations where specific activities occur.

Once capitalism is viewed in terms of the organized activities, then it is obvious that national borders do not necessarily contain these activities. Most economic activities involve the movements of people, products, and capital, and in

the case of Hong Kong, almost all of these movements are organized internationally. Before World War II, Hong Kong served as the main port of demarcation for the global migration of Chinese merchants and laborers, but the people living in Hong Kong at the time were not the main organizers of this migration. Also in the pre-war years, Hong Kong was the center for the transshipment of goods coming from or going to China, but again the people of Hong Kong were not the primary organizers of the trade. After World War II, local industrialists turned Hong Kong into a key manufacturing site, but they served largely as suppliers and subcontractors for retail outlets and brand-name merchandisers located in the United States and Europe, such as those specializing in mass-produced fashion garments (e.g., Anne Klein, Esprit, and the Gap). Both before and after the war, Hong Kong was a financial center, in the earlier period handling remittances sent to villages in South China from Chinese emigrants living outside of China and in the later period funneling international money into and out of Asian capitalist projects. Even in the last several decades when entrepreneurs in Hong Kong began to play key roles in organizing the economy of South China and linking it to the rest of the world, Hong Kong's economy became more and not less globally networked.

Hong Kong's intense and long-term involvement in the global economy means that its trajectories of change are actually aspects of larger Asian and global trends. Since its founding, to paraphrase Manuel Castells (1996: 376–428), Hong Kong has been a place in the “space of flows,” an urban funnel through which people, products, and capital move. Hong Kong takes its economic life from the capitalist world in which it exists. There have been many explanations for Hong Kong's economic development, most of which emphasize its divergence from the “East Asian development model,” economies developed through the intervention of strong states.<sup>1</sup> This model has always been overdone (Orrù, Biggart, and Hamilton 1997). But even the most laissez-faire-oriented explanations fail to explain the extent to which Hong Kong is entangled in the world economy and reflects (even as it helps to create) the current conditions of global capitalism.

The important thing to recognize about these global flows is that they are rarely in sync, and in fact are often at odds with one another. In the most recent decades, the flow of products through Hong Kong links global retailing and merchandising chains with local manufacturing in Hong Kong's hinterland. Western buyers work with Hong Kong and Taiwanese entrepreneurs who coordinate the manufacturing and distribution networks for an array of products. The Taiwanese tend to specialize in the manufacture of shoes and bicycles (Hsing 1998) and the Hongkongers in fashion garments (Bonacich et al. 1994), but in many other arenas, such as property development, they also compete with each other. Even as they sign contracts with Western buyers, manufacturers in Hong Kong and Taiwan also try to build their own brand names, in order to reduce their reliance on merchandising



chains over which they have no control.

A similar tension is present in financial markets. The flow of Chinese capital into and out of Hong Kong takes advantage of what Barry Naughton (Chapter 4) calls Hong Kong's "property-rights regime," a secure haven for privatizing control over assets owned collectively in China. This tactic has drawn into Hong Kong vast sums of money that circulate quite differently from the capital that European and American entrepreneurs and portfolio managers moved to and through Hong Kong financial markets. However, none of the financial markets are aligned with the flow of products, a disjuncture that is one of the underlying causes of the Asian business crisis. Moreover, as Wong Siu-lun's and Katharyne Mitchell's chapters show, the migratory flows of people from Hong Kong do not overlap with the primary flows of either products or capital. All of these examples demonstrate that there are no precise ways to characterize Hong Kong's current economy, and it is impossible to predict which of the current trends will prove the most significant historically.

Given the complexity of Hong Kong's current situation, it seems worthwhile to ask the following questions. What are the relations between local actions and global trajectories? Do local entrepreneurs, not daring or knowing how to disembark, merely ride the backs of these global trends? Or have Hong Kong's capitalists attained sufficient economic power and global significance to stand their own ground and shape their own future? At the end of the twentieth century, these are open questions. But one thing is certain from the essays in this book: The decisions and actions of people do make a difference historically.

In the nineteenth century, for instance, Western gunboat diplomacy forcibly opened Asian economies to outside influences. Taking advantage of these events, the Chinese and Japanese, each in very different ways, forged separate capitalist trajectories that still shape (but do not determine) the actions of entrepreneurs today. Edgar Wickberg's essay (Chapter 2) gives a similar historical lesson in regard to the global migration of the Chinese in the last half of the nineteenth century. While Chinese migrants responded largely to opportunities created by the spread of European and American capitalism, they used their own peculiar social institutions to organize themselves in ways that gave them economic advantages vis-à-vis the local population. Descendants of these migrants still control a significant portion of the economies of Southeast Asia.

The large-scale movement of middle-and upper-class Chinese migrants from Hong Kong, as well as from other predominantly Chinese societies, parallels the great Chinese Diaspora of the last half of the nineteenth century. Pushed by politics and by the uncertainties surrounding the handover, many well-off Chinese decided to establish homes in developed, English-speaking capitalist regions, such as Canada and Australia. Both Wong Siu-lun (Chapter 7) and Katharyne Mitchell

(Chapter 8) demonstrate that these decisions have already started to reshape—and surely will continue to influence—economic, social, and political relationships throughout the Pacific Rim. These chapters, together with chapter 4, reveal the similarities to and the differences from earlier Chinese migrations.

Hong Kong's global integration is assured through its economic and social linkages to the rest of the world. However, to understand this global integration, it is important to grasp Hong Kong's regional integration with China as well. G. William Skinner (Chapter 3) meticulously demonstrates that Hong Kong is already well along in the process of becoming a "Chinese" city, a city that is integrated into its macroregion and shares the characteristics of other cities similarly ranked in other macroregions. This point is a subtle one, but is so crucial to understanding Hong Kong today. Hong Kong is no longer a city-state cut off from its hinterland, as it was as recently as 1980, but is now the central city in the Guangzhou region as well as a place that integrates the Chinese economy more generally. Barry Naughton (Chapter 4) adds considerable detail describing exactly how and why Hong Kong has become integrated into the greater Chinese economy. His chapter surveys developments since the 1978 Chinese economic reform and shows that in only 20 years Hong Kong has been transformed into a city at the core of the Chinese economy, particularly as that economy is integrated into global economy. Naughton's analysis frames the distinctive roles that Hong Kong is playing in the industrialization of China, as a service and value-added center for the export-oriented economy of South China and as a financial safe haven that allows for the conversion of public assets into private advantage. In both of these roles, entrepreneurs from Hong Kong and China have forged a new path where there was none before. In this regard, past actions create precedents for those living in the present, but not necessarily destinies.

#### THE AMBIGUITIES OF SELF-DEFINITION

Hong Kong is a place where many different people with very different interests and livelihoods collectively pursue a range of organized activities. The operative word here is "collectively." Although people may make decisions individually or jointly in small groups, such as within the family, they live in a world of established institutions and shared meanings. This experience of living together in a shared world leads diverse people to make separate decisions conjointly. What people do at any one point in time is therefore not randomly distributed across all possible courses of action but is oriented instead to situationally real conditions. Where to live? What to do for a livelihood? What to buy? How to make money? What movie to watch? What clothes to wear? What emotions to feel? These and so many other facets of life are carried on with a high degree of mutuality. At any one point in time, there is considerable agreement on the parameters for answers—

if not the exact answers—to these and other similar questions.

Middle-and short-term trends are best understood as trajectories of situationally real conditions and of decisions made with reference to them. The “realness quotient” of these conditions can change rather quickly. What is certain is that Hong Kong is at the vortex of a continuing Asian transformation. Socially, economically, and politically, Hong Kong is in flux, pushed and pulled by many forces. These forces, however, are not impersonal but are aspects of a lived-in world that people simultaneously experience and create through their own actions. Indeed, to the people who live in Hong Kong, the changes they confront and the perceived reality they act upon, including the handover and the later economic crisis, reflect a set of extraordinary personal events. For instance, the transfer of sovereignty itself not only requires a transfer of nationality but also a reorientation of life and livelihood. If we now put the quandaries facing those in Hong Kong today within a broader historical perspective, then we can see just how profound these personal changes have been. Throughout the twentieth century, virtually every new generation of people living in Hong Kong has experienced an Asia remade.

In just the past 50 years, the people of Hong Kong have also changed from being resident migrants who trace their origins to nearby districts in South China to “Hongkongers,” people who identify deeply with the locale and its urbane outlook. The driving force behind Hong Kong’s outward orientation to the world is mainly business, and the integration of this business into the mainstream of global capitalism. Hong Kong’s colonial status kept politics in the background and brought to the fore the considerable abilities of the Chinese to make money for themselves and for their families and friends.

As a consequence of the 30-year break with the mainland, Hong Kong’s wealthy entrepreneurs and professional middle classes are now caught in the great dilemma of this historical moment. They are the ones who have the most global outlook, who owe their very successes to their economic and professional connections to the world outside of China. But they are also the ones who now must assess whether the risks of being grounded in China, politically if not economically, outweigh the opportunities that might ensue from becoming China’s broker to the world. In the years leading up to the handover, many Hongkongers decided that the risks outweigh the opportunities, uprooted themselves, and moved everything to a new country. Others decided to stay and made no provisions for migrating in the future, even should the occasion call for it. But a great many, perhaps the majority of the upper echelons of Hong Kong society, decided to do both—to stay and to migrate at the same time. These Hongkongers maintain their lives and livelihoods in Hong Kong but have also spread assets and family members around the world. They have purchased apartments in London and condos in Vancouver, invested in firms in both Guangzhou and Thailand, enrolled their children in boarding schools

in Europe, the United States, and Australia, and maintain passport options in one or several countries besides the Special Administrative Region (SAR) of Hong Kong. They have transformed a cosmopolitan outlook into a global presence.

Unlike the Chinese migrants in the nineteenth century, who were mainly peasants and petty merchants from South China, the migrants in the new Chinese Diaspora are, by world standards, wealthy and highly educated people. In this global migration, Hongkongers lead the way, but Chinese from other locations join in—Chinese from Taiwan who also worry about their future and political autonomy; Chinese from Southeast Asia who have loosened their attachments to their host countries in order to participate in accelerating economic opportunities that cut across national boundaries; and, increasingly, Chinese from the People's Republic of China who find the economic opportunities and personal advantages outside the PRC so much more lucrative than those within. These up-market migrants have created a new group of global cosmopolitans, Chinese whose identities and residences do not necessarily match. They have created a world where Hongkongers can live as Hongkongers in North America, Australia, and Europe, as well as in Hong Kong itself, or where Taiwanese can be equally at home in Monterey Park, California, or in Taipei.

The crucial point here is that Chinese identities are curiously ambiguous. In examining Hong Kong's political location at the margins of empires, Helen Siu (Chapter 5) argues that the Chinese of Hong Kong have always been able to create the vibrant world in which they live by avoiding rigidly defined identities, by learning how to be flexible in themselves, and by maneuvering in political spaces where sovereignty is ambiguous.

Wang Gungwu (Chapter 6) adds to these insights by showing that Chineseness is a flexible category of identification that is re-created situationally however and wherever people accepting that label migrate. A key theme that runs through Wang's analysis is that the "Hongkonger" identity is similar to the role played by the Shanghainese in the pre-World War II period, that of projecting to other Chinese throughout China and the rest of the world the image of "fundamental modernity." This quintessentially Chinese identity is very different from the ethnic Chinese identity that the Chinese in North American and Southeast Asia construct for themselves.

Even within this quintessential modernity, however, there is room to embrace a range of diverse identities. Based on extensive surveys of those living in Hong Kong before the handover, Wong Siu-lun (Chapter 7) probes the agonies of those Hong Kong residents deciding whether to leave, stay, or move back and forth without making a final decision. He discovers that the ways in which people identify themselves—whether as primarily Chinese or primarily Hongkonger—deeply influence their decisions regarding migration, and that the very ability of middle-