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CHINA'S REUNIFICATION AND INTERNATIONAL SECURITY IN NORTHEAST ASIA: AFTER HONG KONG WHAT?

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This paper examines the implications of Hong Kong's reunification with China on cross-strait relationship between mainland China and Taiwan. It begins with a discussion of the international security situation in the region and the increasing importance of the People's Republic of China on regional security. The paper then addresses the political and economic consequences of the sovereignty change over Hong Kong on regional security, identifying the added strength to China on the one hand, and the Special Administrative Region's moderating influences on the other. Finally, it evaluates possible changes of the Beijing government's Taiwan policy. In conclusion, the paper argues that China's reunion with Hong Kong may have far reaching implications for regional security by enhancing China's national power as well as injecting an element of uncertainty in cross-strait relations. However, domestic developments and a more favourable international environment would facilitate the eventual resolution of the Taiwan question peacefully.

1. INTRODUCTION

The importance of China's reunification as an issue in Northeast Asian international security has been demonstrated in 1996 when tensions over the Taiwan Strait intensified. The tensions were exemplified in mainland China's high-profile military exercises and refusal to denounce the use of force as a possible solution to the reunification question, the defiant attitude of the Nationalist government on Taiwan under President Lee Teng-hui and the American involvement in the Taiwan question. These are ingredients for a major military crisis which may de-stabilise the region and disrupt economic activities. With the peaceful reunion of mainland China and Hong Kong in July 1997, Taiwan has become the last reunification target of the Beijing leadership.

The peaceful resolution of the Hong Kong question using the formula of "one

country, two systems" has widely been seen as a welcoming development: China's resumption of sovereignty over Hong Kong ended one and a half century of national humiliation, and provide a possible solution for the Taiwan problem. In fact, the "one country, two systems" formula was first put forward by the Beijing leadership to solve the Taiwan question.¹

The Nationalist government in Taiwan, however, has consistently rejected "one country, two systems" Hong Kong-style solution to Taiwan's reunification with the mainland. While the leadership in Taiwan has still maintained its desire for the ultimate reunification with the mainland, they have insisted that Taiwan has the right to determine its own destiny. President Lee, for example, has repeatedly asserted that Taiwan, in the form of the Republic of China, is an independent sovereign country free from Beijing (*Washington Post* 1997; *Times* 1997). Taiwan authorities described "one country, two systems" as "calls for a total surrender of the Republic of China to mainland China" and rejected the formula as "neither feasible nor acceptable for the Taiwan people" (Government Information Office of the Republic of China 1997).

China's reunification is, strictly speaking, an internal matter, but tensions in the Taiwan Strait would have serious consequences for regional security. The return of Hong Kong to Chinese sovereignty has demonstrated that peaceful reunification is possible, but the case of Taiwan is clearly different from Hong Kong. This paper is an attempt to evaluate the implications of China's resumption of sovereignty over Hong Kong on regional security with reference to the Taiwan question.

2. THE REGIONAL SECURITY MENU

Almost one decade after the end of the Cold War, scholars and practitioners remain deeply divided on the security outlook of the East Asian region. The regional security picture has given hopes and despair for lasting peace to both the realist and liberal camps. Ralph A. Cosa and Jane Khanna (1997: 221), for example, argued that "the overall security situation in the Asia-Pacific region is as good as or better than it has been at any time during this century." At the other end of the spectrum, Barry Buzan (1994: 151) predicted an "escalation of military spending and arms rivalry" in the context of a "region marked by many lines of hostility and ill-will, and virtually unmediated by traditions and institutions for cooperation." Indeed, regional security in the 1990s is marked by major crises over Korea, tensions in the Taiwan Strait, and conflicts in the South China Sea while the region somehow maintained stability and peace in general. The uncertain security outlook in the region has generated a multitude of proposals for a regional security framework and the usual scepticism.

The search for a common solution to international security in the East Asian region is still continuing. I do not intend to add to the voluminous works on the subject in this paper. The discourses about regional security and the complexities

involved have been documented elsewhere (Kerr, Mack and Evans 1994; Evans 1994). In an attempt to provide a typology for the security challenges in the Asia-Pacific region, Robert Manning (1995: 20) has identified a number of security concerns.

1. Immediate concerns
2. Long-term questions
3. Secondary concerns
4. Latent tensions
5. Disquieting trends
6. Emergence of non-traditional concerns

According to Manning, the key immediate problem in the region is the possibility of war, regional instability and a new regional nuclear race arising from events in the Korean Peninsula. The long term concerns include the roles of three major regional powers; China, Japan, and the U.S. The secondary concerns are those on territorial disputes and sovereignty claims. These include disputes over the Spratlys, the Diaoyu/ Senkaku Islands, the Tak-do/Takeshima Islands, and tensions across the Taiwan Strait. Latent tensions are those which arise from historic fears, suspicions, and rivalries. Disquieting trends refer to increased military spending, and internal strife and possible resurgence of Islamic fundamentalism in Southeast Asia. Finally, non-traditional security concerns include piracy, environment problems, refugees, and drug trafficking. While others have produced other lists or topologies of the regional security picture, all security issues in the menu relate in one way or the other to the intentions and behaviour of major regional players. China features prominently in almost all security issues in the region—long and short terms. Secondary concerns such as the Taiwan question can easily move up the ladder to become a critical security issue with immediate consequence for regional security. China's missile tests in waters near Taiwan in 1995/96 for example, has generated a major crisis in the region.

3. THE RISE OF CHINA IN THE 1990S

Given China's geographic location, size, population, and rapidly rising economic power, its role in East Asian security is obviously a matter which attracts major regional and global attention since the beginning of the 1990s.

The Beijing leadership's suppression of pro-democracy demonstrations in and around Tiananmen Square in 1989 has damaged China's international image and created difficulties in Sino-Western relations. But once the Beijing government restored political order and demonstrated its commitment to continuing economic reform, the PRC gradually repaired the damages. The importance of the PRC as a

major international player was highlighted during the Gulf crisis in 1990.² International perceptions about the PRC, however, became far more complex in the 1990s.

The continuation of China's rapid economic growth prompted a re-evaluation of its rising national power. According to the World Bank, China was the ninth largest economy in the world in 1992 with a GNP of US\$442.3 billion. Using purchasing power parity, the International Monetary Fund ranked China as the world's third largest economy in 1993. In fact, another report by the *Economist* in October 1992 suggested that if the Chinese economy continues to grow steadily it would become the world's largest economy in the next century. Although such projection of China economic power has been questioned by more cautious analysts, compared with other growth economies, China's record has been outstanding. Between 1985 and 1992 China's real growth rate at 6.0 percent per annum placed it in the 10th place in the world. As Susumu Yabuki suggested, China's ability to sustain a high level of growth is particularly remarkable in comparison with other top performers, which are inevitably much smaller in terms of population size.³

In 1996 China maintained strong real GDP growth at 9.7% and managed a 9.0% growth rate in the first three quarters of 1997. GDP growth target is set at 8% for the whole year of 1997. Industrial growth was maintained at a healthy level of 13% in 1996 and 11% in January - September 1997 in real terms. In the first half of 1997, the added-value of output by state-owned enterprises grew by 5.5%, lower than that of the collective-owned and private-owned enterprises which stood at 12.5% and 15.1%. The added-value of industrial output is expected to grow by 13.4% for the whole year of 1997. China's non-state sector has expanded rapidly and experienced healthy development in recent years. The private sector also expanded rapidly in China, confirming the trend towards higher liberalization and marketization. The number of privately operated enterprises expanded more than six times between 1990 and the end of 1995, reaching over six hundred thousand and employed over fifty million workers. In 1996, over two-third of the nation's retail consumer goods and more than half of China's industrial output were handled by non-state enterprises (Hong Kong Trade Development Council 1997a).

The international orientation of the Chinese economy is also evident. The country ranked as the 11th largest trading nation in the world (the 6th largest trading nation if the EU countries were counted as one entity). In the first three quarters of 1997, China's total external trade increased by 13.7% over the same period of 1996 to almost two hundred and thirty billion US dollars. The Chinese government expected that foreign trade will grow by 6.9% to reach more than three hundred billion US dollars in 1997 (Ibid.).

Although economically dynamic China would offer exciting economic opportunities for other countries and help promote economic growth in the region, there are also concerns that a more powerful China would inject an element of uncertainty into the calculus of regional security (Cable and Ferdinand 1994). As

China's economic power grows, so will its military capacity. Growing Chinese economic power, China's tarnished post-Tiananmen image, and involvement in territorial disputes in the South China Sea have given rise to what has been popularly described as the "China threat" theory (Roy 1994).

Arguments supporting the China threat thesis center around two major themes. First, China is not contented with its current power position. As a result of China's former dominance in the region in the form of the "Middle Kingdom" and its subsequent humiliation in the hands of Western imperial powers the Chinese leadership is strongly motivated to restore the glory of the Chinese empire. Therefore, China is a non status quo power seeking regional domination and becomes source of instability. This would clearly lead to profound implications for international security in the region. Second, even if China does not seek regional hegemony, its ascendancy would almost certainly upset existing power configuration in the region, leading to more intense rivalry with other leading players in the region, such as Japan and Indonesia—thus increasing the likelihood of military conflicts over territorial disputes and regional instability. Summarizing the China threat thesis, Denny Roy concluded that "current developments foretell an economically gigantic China with a historic fear of foreigners, a distaste for cooperation, and an interest in developing a blue-water navy and long range air combat capabilities." Roy (1994: 168) warned, "these may be the first signs of what will develop into the greatest threat to the region's stability since the Pacific War."

China's willingness to use force in border disputes in the past, its assertiveness against Taiwan during the island's 1996 presidential election, and the shift of its strategic interests from a continent-based to a maritime-based orientation have given support to the China threat thesis. The rise of China is further complicated by the notion of Greater China—comprising of mainland China, Taiwan, and Hong Kong. Economically greater China is already highly interdependent with the mainland serving as the hinterland and manufacturing base and Taiwan and Hong Kong serving as sources of capital and finance as well as trade and marketing outlets. The reunification of China under a central government may, therefore, have important consequences for regional security.

A united China which is powerful and democratic probably would be a benign power and a source of stability, whereas a united China which is politically intolerant and restless would almost become an aggressive power and a source of regional instability. In many ways the direction of China's transformation is still not entirely clear. There are signs that as China becomes economically more powerful, the Chinese leadership is becoming more open and tolerant. Major social and economic changes within China have loosen the Party's political control. Limited political, legal and institutional reforms have reduced the capacity of the arbitrary party-state. Yet China still confronts major economic challenges, and its political leadership is still not tolerant of political dissent.

4. CHINA-HONG KONG REUNIFICATION

The reunification of Hong Kong with mainland China has clearly enhanced China's national prestige and overall power. Economic links between Hong Kong and the mainland have been very strong. In many ways Southern China and Hong Kong have formed an integrated economy.

As one of the four Asian dragons, it is the 7th largest trader (4th if the EU is regarded as one entity) and the 9th largest exporter of services. Hong Kong's economic strength and dynamism is widely recognized. Hong Kong has been credited as the freest and the most service-oriented economy with the highest per capita income (in terms of domestic buying power) in Asia. It has been ranked as the world's 2nd most competitive economy, with 2nd highest per capita holding of foreign exchange, and named Asia's 2nd least-corrupted economy. It is the world's 4th largest source of foreign direct investment. It is also a major transportation and financial centre and a key regional business hub.

Despite the political differences between the British administration in Hong Kong and the mainland authorities, they had enjoyed close economic and social relationships. While the "one country, two systems" provided the basis for Hong Kong to maintain its autonomy and status as a separate customs territory, China's economic position has been enhanced by the reunification of Hong Kong. In the words of the Hong Kong Trade Development Council, "Hong Kong has long been mainland China's window to the world—a strategic gateway to foreign business contacts, modern technology and investment." According to a TDC report, over 800 sailings, 100 flights, 35 trains, and 26,000 vehicles move across the Hong Kong-China border everyday. Hong Kong is also the most important entreport for mainland China and about half of mainland China's exports are channelled through Hong Kong. Most of Hong Kong's total re-exports of about one hundred and fifty billion US dollars were either originated from or destined for mainland China. China's Customs statistics put Hong Kong as its third largest trading partner, accounted for 16% of the country's total trade in the first seven months of 1997. Hong Kong contributes to about one-third of mainland China's foreign exchange earnings annually. Over half of the 284,000 foreign-funded projects in mainland China, by the end of 1996, were linked to Hong Kong interests. Between 1979 and 1996, Hong Kong concluded over two hundred billion US dollars of investment contracts in the mainland, more than half of the total contracted foreign direct investment in mainland China. Actually utilised capital from Hong Kong reached almost US\$100 billion, which was over half of the total amount of capital invested by foreign companies in mainland China (Hong Kong Trade Development Council 1997b).

Mainland China has also become a leading investor in Hong Kong. The number of mainland-backed enterprises registered in Hong Kong was 1,756, with an estimated total asset value of more than US\$40 billion by late-1994. The Bank of

China and its 12 sister banks are now the second largest banking group in Hong Kong, after Hongkong Bank. In 1994 the Bank of China also started to issue Hong Kong dollar banknotes. The Industrial and Commercial Bank of China, the Agricultural Bank of China and the People's Bank of Construction of China—have all opened their first branch operations in Hong Kong. Altogether 18 Chinese banks are operating in Hong Kong (Ibid.).

Reunification has made closer economic cooperation and better coordination easier. The new leadership of the Hong Kong Special Administrative Government under Chief Executive Tung Chee-hwa has maintained that the basis for the successful implementation of the "one country, two systems" formula is the shared common interests of the mainland and Hong Kong, and new mechanisms have been established to facilitate the coordination of infra-structural projects and economic and business collaborations (Tung 1997).

The emergence of an economically much more powerful China, however, is only one dimension of the reunification formula. By bringing Hong Kong under the political orbit of mainland China, the Beijing government has strengthened its strategic position in the region, too. British Hong Kong was not of major importance in the Chinese global strategic calculations, especially since the 1970s when China's international security became much more favourable following the improvement of Sino-US relations. Towards the end of British colonial rule, British military presence in the territory was reduced to less than ten thousand, but it has remained active. The Hong Kong harbour also provided convenient facilities for Western warships in the region, which under NATO arrangements could dock without charges. British forces in Hong Kong had regularly been involved with military exercises under the Five Power defence Agreement (Britain, Singapore, Malaysia, Australia, and New Zealand). The relocation of Hong Kong from the Western camp to China's side represented a shift in the strategic equation to China's favour.⁴

According to the Sino-British agreement over Hong Kong, China is responsible for the defence of the Hong Kong Special Administrative Region. The People's Liberation Army is stationed in the territory. The Chinese government has deployed only a few thousand troops to the Special Administrative Region, but it is supported by military presence across the border in Shenzhen. Under an agreement with the British, the Chinese acquired former British military sites in the territory. The PLA also acquired a new naval base on Stonecutters Island in the middle of the Hong Kong harbour with modern facilities. The base would provide east access for larger frigates from the Chinese fleet and provide support for other Chinese Naval activities. While the Chinese government is unlikely to involve Hong Kong in military conflicts over territorial disputes in the South China Sea or confrontation with Taiwan, Hong Kong would provide a useful coordinating point between the Shanghai-based East China fleet and the Zhanjiang-based South China Sea Fleet. Overall, China has enhanced its coastal defence and increased its capability in its military projection in the East Asian region (Tang 1997: 87-92).

The reunification with Hong Kong, however, also brings new constraints. The Chinese government would need to consider the implications of military confrontation on Hong Kong's development as a major economic and communication centre. How to accommodate the existence of a more pluralistic society with different political values and attitudes in the much larger and rigid political framework even with the "one country, two systems" arrangement is not an easy task. As a step in the eventual reunification, whether "one country, two system" would prove successful or not may also be critical.

5. TENSIONS ACROSS THE TAIWAN STRAIT

Mainland China's assertiveness over the Taiwan issue in 1995/ 96 demonstrated the volatility of cross-strait relations. A direct military confrontation with or without the involvement of the US would have serious consequences for regional stability and economic prosperity. Would mainland China's reunification with Hong Kong facilitate a peaceful resolution of the Taiwan question? Byron Weng (1997: 54) has identified six stages in cross-strait relations.

1. 1949-58: tense cold war
2. 1959-71: relaxed, stalemate cold war
3. 1971-78: closed competition in a state of nominal cold war
4. 1979-87: Beijing's unilateral overtures for negotiations and open competition
5. 1987-mid 1990s: open competition and partial cooperation
6. 1991-mid 1990s: informal negotiations

Until the 1970s, the rival regimes of the People's Republic of China on the mainland and the Republic of China of Taiwan engaged in open hostility and occasionally direct military friction. In 1971 when the nationalist regime on Taiwan was unseated in the UN, the contention for international recognition quickly ended in favour of the PRC. From 1979 onward, the PRC has put forward the "one country, two systems" formula for national reunification with Taiwan. Under this formula, the island is to maintain a degree of autonomy with its own system intact but would have to become a local government within the united China under the leadership of a central government in Beijing. The Nationalist government has counter-proposed a "one country, two governments" formula, insisting on equal status and reciprocity. Their disagreement resulted in a stalemate.

Since the 1980s, economic interactions between the two, as a result of mainland China's outward-looking economic strategy and Taiwan's economic development, created the need for a more active approach to manage economic and social interactions between the two sides. In 1990 Taipei established a National

Unification Council (NUC) for setting mainland's policy direction, a Mainland Affairs Council (MAC) for the implementation of such policies, and a government-sponsored private organization, Straits Exchange Foundation (SEF) to serve as an intermediary organization for contact and negotiations with mainland authorities. The mainland had its policy making body in the form of a leading group on Taiwan Affairs for policy making in 1989, and a Taiwan Affairs Office under the State Council, as well as the Association for Relations Across the Taiwan Strait (ARATS) for contact and negotiations with Taiwan.

In the early 1990s, both sides had issued policy papers explaining their positions. The leaders from both sides had issued policy statements putting forward their visions of how to resolve their differences. The mainland position was issued in the form of the Jiang (Jemian) eight points, which maintained the one China principle and commitment not to use force against Taiwan unless the island moves towards independence or foreign parties become involved in the Taiwan issue. Lee Teng-hui responded by insisting that Taiwan had to be treated as an equal and demanded the mainland to renounce the use of force against Taiwan. While the two sides were not able to narrow their differences, their tones were conciliatory. The situation, however, changed from the mid 1990s onward. First, the demand for Taiwan's independence has increased following political liberalization on the island. Second, the Nationalist government decided to raise its international profile and expand its "international space". Cross-strait relations deteriorated rapidly after Lee Teng-hui's visit to the U.S. in 1995. The mainland suspended talks with Taiwan and launched a series of personal attacks on Lee in its official publication, the *People's Daily*. Prior to the first direct presidential elections in Taiwan, the PLA launched missiles in Taiwan waters and carried out massive military exercises, prompting the U.S. to send aircraft carrier into the area. Undeterred by the mainland's military action, Lee was elected with a clear mandate. Tensions in the Strait eased somewhat in 1996, but the talks have not been resumed and the two sides are still competing intensely internationally.

The impact of Hong Kong's reunion with the mainland on cross-strait relations can be viewed from different perspectives. Internationally, hopes that a successful and peaceful reunion between Hong Kong and the mainland may offer a Taiwan solution have proved to be unrealistic. Leaders in Taiwan have made clear their positions that the Hong Kong solution is not applicable to Taiwan. It is too early to judge whether the "one country, two systems" formula can be implemented successfully or not in Hong Kong. But the Lee Teng-hui leadership in Taiwan has rejected the mainland government's position of "peaceful reunification" using the formula.

For the Beijing authorities, reunification with Taiwan clearly has become the next major target after Macau, which is due to become another Special Administrative Region in 1999. Wu Guogang, a China observer who had served as an aide to former Prime Minister Zhao Ziyang, suggested that the return of Hong

Kong to Chinese sovereignty would have major impact on Beijing's Taiwan policy. He identified six new factors in Beijing's post-Hong Kong Taiwan policy (Wu 1997).

1. Political factor
2. Policy agenda factor
3. Demonstrative factor
4. Economic factor
5. Diplomatic factor

The first factor concerns the rising nationalistic feelings in the mainland associated with the end of foreign domination in China. Wu observed that the end of British colonial rule in Hong Kong was seen as a symbol of China's rise and a crucial stage in the ultimate reunification of China. Such sentiments, reinforced by the growing nationalistic feelings of the people as China becomes more powerful and more assertive internationally, would inject a new emotional element into the mainland's Taiwan policy. Mainland authorities would become less tolerant of international involvement in the Taiwan issue and more impatient for delays in the reunification process.

The policy agenda factor refers to the mainland's time-table for reunification. Wu suggested that the successful reunion with Hong Kong has provided an impetus and opportunity for a new time-table to resolve the Taiwan question. He predicted that the mainland leadership probably would like to see reunification achieved in 10 to 15 years, i.e., between 2007 to 2012.

Wu made his prediction based on analysis of the political, economic, and international situations after Hong Kong's return to Chinese sovereignty. He maintained that the Hong Kong case would have a demonstrative effect on the mainland-Taiwan reunification process. If the mainland-Hong Kong reunion proved to be smooth and successful, it clearly would strengthen Beijing's political position. First, it would provide a model for the reunification of Taiwan with the mainland. Second, it would help secure international sympathy and support for the mainland. Third, it would influence public opinion in Taiwan. Finally, it would make military actions against Taiwan more justifiable.

The fourth factor concerns Hong Kong's role in the economic relations between the mainland and Taiwan. Hong Kong has always been a major economic link between the two. Through Hong Kong, Wu further suggested, the mainland could also strengthen its economic relations with Taiwan and build up more people-to-people visits, communication, exchanges, and cooperation.

The mainland would be able to use Hong Kong's international importance to step up its effort in isolating Taiwan diplomatically. Countries with diplomatic links with Taiwan, for example, has come under pressure from mainland authorities in their negotiations for maintaining their presence in Hong Kong. Hong Kong's

memberships in many international organizations would also strengthen Beijing's position vis-a-vis Taiwan.

Finally, Wu maintained that China's resumption of sovereignty over Hong Kong and later Macau would, in general, boost its military position in the South China Sea. While Hong Kong itself may not be militarily important, its return to the orbit of Beijing has shifted the strategic balance in the region to the mainland's favour. This would greatly enhance the credibility of Beijing's military threat.

6. CONCLUSION

China's resumption of sovereignty over Hong Kong, however, is also a major challenge for the Beijing leadership. China would need to demonstrate to the world that it is capable of managing a vibrant and pluralistic society according to the terms that it declared. As Michael Yahuda (1996: 142) argued, the reversion of sovereignty of Hong Kong to China is "a challenge not only to the people and institutions of Hong Kong," but also "a profound test to the adaptability of the leaders, the institutions and people of China itself." Whether mainland and Taiwan could find a peaceful solution to resolve their differences partly depends on how well the Beijing leadership meets this challenge.

The government of the Hong Kong Special Administrative Region has declared that things in Hong Kong have remained unchanged after the reversion of Hong Kong to Chinese sovereignty. The Chief Executive Tung Chee-hwa and his senior officials have all declared "business as usual". The reunion with Hong Kong may have far reaching implications for regional security by enhancing China's national power as well as injecting an element of uncertainty in cross-strait relations.

Domestic developments on both sides and the international environment would also alter the framework of cross-strait relations. Improvements in mainland China's relations with the U.S. following the Jiang-Clinton Summit towards the end of 1997, for example, may have weakened Taiwan's international position, but at the same time, it would help the establishment of a more stable situation in the Taiwan Strait. In the longer run, regional security arrangements may also facilitate a better environment for the eventual resolution of the Taiwan question.

Notes

¹ The "one country, two systems" concept, described by the former British Prime Minister Margaret Thatcher as the "stroke of genius", clearly stems from the pragmatism of Deng Xiaoping who also created the special economic zones in China in 1979. The substance of the concept is borrowed from the nine principles of Ye Jianying, which formed the basis of

- Beijing's Taiwan policy in the early 1980s. See Thatcher (1993: 493) and Wong (1997: 18).
- ² For an analysis of China's position during the 1990 Gulf crisis see Huo (1992).
- ³ For a solid review of China's economic development see Yabuki (1995).
- ⁴ For a discussion of Hong Kong's strategic role as a British territory see Tang (1997: 84-6).

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