



1861 - 1961

Hong Kong General Chamber of Commerce

Minutes of a meeting of the Secretaries to the Hong Kong General Chamber of Commerce held pursuant to notice at the Club House on Wednesday the 29th of May 1861

Present. Messrs Preece, Bromby, Macmillan, Leslie, Deane, Burdett, Wright, Sharp, Jordan, Taylor, Perkins, Loxton, Scott, Macmillan, Gibb, Ansell, P. Thompson, Mackay, Geo. Dixon, P. Sherrington, Johannes Murray, James Johnson and Remond and Macmillan.

It was moved by Mr. Preece, and seconded by Mr. Macmillan that

That Mr. Murray be invited to take the Chair and Mr. Johnson to act as Honorary Secretary to the meeting.

The Chairman having briefly alluded to the object of the meeting called upon Mr. Macmillan to move the following resolution which was seconded by Mr. C. J. Gibb

That the Honorary Secretary be requested to send the proposed Rules and Regulations for the Chamber.

The Rules and Regulations having been read accordingly the Chairman stated that it was not proposed to keep them as this meeting but that copies would be printed and circulated for the information of the members to be confirmed or revised at the next General Meeting which will be called at an early date when the proposed alterations to be adopted by the Committee will be submitted for consideration. It would however be necessary for the meeting to elect the number of members to compose the Committee before proceeding to elect them - in fact to make the election in fulfilment of Rule No. 9.

It was then moved by Mr. Preece and seconded by Mr. Wright

That Rule No. 9 of the proposed Rules and Regulations be confirmed by the meeting.

Carried unanimously

The order of the business proposed was then taken in relation of the Committee, the result of the meeting being as follows.

- Mr. Alfred Preece, Chairman
- do do Macmillan, Secy
- do do Murray
- do do Thompson
- do do Gibb
- do do Ansell
- do do Preece

The Chairman then declared the above names qualified to be duly elected, and the business before the meeting to be concluded.

A vote of thanks to Mr. Murray terminated the proceedings

C. Murray



HISTORY
OF THE HONG KONG
GENERAL CHAMBER OF COMMERCE
1861—1961

by
W. V. PENNELL

AND
ANNUAL REPORT
1960



HISTORY

LEGISLATIVE COUNCIL OF HONG KONG

1961

W. S. CHANG

ANNUAL REPORT

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FRONTISPIECE; *Facsimile of the Minutes of the First Meeting of the Chamber, May 29, 1861.*

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INTRODUCTION

SOME of the most eloquent documents of history are those which define the group purposes of men in the infinite variety of circumstances in which they find themselves. Brief as it was, the declaration of purpose of the Hong Kong General Chamber of Commerce at its inaugural meeting was not unworthy of this historic occasion:

'The object of the Chamber shall be to watch over and protect the general interests of Commerce, to collect information on all matters of interest to the Mercantile Community, and to use every means within its power for the removal of evils, the redress of grievances, and the promotion of the common good; to communicate with authorities and others thereupon; to form a code of practice whereby the transaction of business may be simplified and facilitated; to receive references; and to arbitrate between disputants—the decisions in such references to be recorded for future guidance.'

It was further provided that:

'All important questions affecting the Trade of the Port and its political or commercial relations with the Empire of China or other States shall be discussed at a General Meeting to be convened by the Committee for that purpose. And action shall only be taken in accordance with resolutions passed at such meeting.'

This is primarily a story of the development and expansion of the trade, shipping and industry of Hong Kong, as seen through the records of the Hong Kong General Chamber of Commerce, which this year celebrates its Centenary. There were temptations to leave the disciplined path and wander in greener and more colourful pastures. Colour is the almost indispensable element of even the most modest and limited historian. The romance of trade is rarely to be found in the minutes of a Chamber, but rather in the stories of the rise, and occasionally the fall, of great commercial enterprises, the honges which have outlasted this first century. The times through which they have passed were surely not less strange and difficult than those they may apprehend in the rest of the Twentieth Century.

The Chamber's Secretaries were clearly men of infinite discretion. The earlier men wielded copperplate pens. Their successors were immaculate in their discrimination. You will look in vain in these Minutes for any reflexion of the feuds and abusive controversies which rent the community and adorned the pages of the newspapers of the early period. Yet Hong Kong must have been as colourful as the Wild West in the first quarter-century of its existence.

But the Chamber was concerned not with personalities or purely local matters. Its business was to foster the facilities and equipment of one of the world's greatest and most natural harbours, and to expand and develop the trade with China not only of Britain but of the whole world. A thousand and one details entered into this mission. The pressures it brought to bear here, there, and everywhere within the range of its voice and influence, were persistent, positive and, in the long run, fruitful. Through all the century of its existence it has been pushing, probing and prodding to secure the facilities and freedom without which Hong Kong could never have become the world-famous and prosperous industrial and commercial centre it is today.

THE WESTERN APPROACH

THE story of how the island of Hong Kong came to be the focal point of the Western approach to China has been told too often to need full repetition here. Captain Weddell may have been rebuffed in the middle of the 17th Century, but efforts to develop trade with China never quite ceased, despite the historic Decree of the Emperor Chien Lung whose arrogant assertion of China's self-sufficiency was then by no means unwarranted.

These efforts first achieved some measure of success in 1757 when Canton was granted the monopoly of trade with the West. The restriction of trade to Canton was as much a hindrance since it was at that time the largest, most populous and richest trade centre in the whole Chinese Empire. In those days the Chinese officials and merchants showed their marked appreciation of the potential profits of commerce. The concept of trade as an indispensable mechanism of growth had no hold as yet. Profit and revenue were the sole incentives.

'These men were not enlightened economists and statesmen, concerned for the economic welfare of their country', wrote Dr. Stanley Wright, the historian of the Chinese Customs. 'They were, for the most part, place-hunters and palace politicians, experts in the intrigues of a corrupt court, and constantly needing ready cash for the successful conduct of such intrigues.' They would not degrade themselves to do business themselves, but the officials were eager for their share of the spoil. The advent of foreign shipping was merely to them a heaven-sent opportunity for the exaction, for their personal profit, of special levies over and above those authorised by the Imperial tariff.

In spite of restrictions and exactions trade flourished, and opium was not even one of the commodities at first, still less the problem it later became. The English ships brought woollens, lead, amber and silver currencies for investment in Chinese produce. They carried away tea, silks, chinaware, copper, spelter, sugar, alum, quicksilver and camphor for England and for Madras. In 1816 British trade could boast a fleet of ships of various kinds numbering sixty-seven, totalling over 50,000 tons, in the China trade. The silver specie they brought for the purchase of Chinese products was well over £830,000, a large sum for those days. In Chinese exports the ships took away about 36.6 million pounds of tea, some 660 piculs of raw silk, and 227,000 pieces of nankeens.

Even when opium did come from India it was greatly exceeded by the 334,000 piculs of raw cotton from that country. But opium came as a substitute for the steady and very welcome stream of silver the trade

had brought to China, although the Chinese had used opium medicinally for nearly a thousand years. The objection was thus double, the growth of an undesirable habit, and the outflow of silver formerly retained.

But opium was merely an incident, albeit a major one, in the conflict that came to a head when Lord Napier arrived uninvited at Canton in July 1834. The Viceroy had asked for a merchant leader with whom to deal when the Act of Parliament in Westminster abolished the commercial monopoly of the East India Company, and instead he got a high dignitary, holding a Royal Commission as Chief Superintendent of Trade, and with wide powers.

As a result of Napier's actions, the Viceroy ordered a stoppage of all British trade and a boycott of the Factories. Lord Napier was struck down with malaria, and died in Macao. When Captain Charles Elliot came out, he confronted two major problems, one of jurisdiction, the other of the opium trade. The conflict was doomed to a solution by violence when the celebrated Imperial Commissioner Lin Tse-hsu came upon the scene. In the war which ensued after the long series of conflicts—including the burning of the Canton Factories, the ejection of the merchants and the confiscation of the opium—the main source of contention was undoubtedly the opium trade, but beyond this vexatious issue lay the clash between the restless West and the static East. The West had no cause to be proud of the symbols which the drama produced, but the truth nevertheless was that a new era had dawned in which the old isolation which both China and Japan had imposed for so long could no longer endure. Japan in the Meiji Era had realised this and went all out to learn all she could from the West. China resisted for half a century or more.

The sequel to the coup of Lin Tse-hsu was infinitely more significant than the coup itself. China had been forced to accept intercourse on the basic terms laid down by the West, but the struggle between conformity and obscurantism was not ended. It took on other forms. In the years, and the negotiations and recriminations that followed, the onus fell more and more on the merchants and local authorities. The mission of the merchants was to develop trade and make it pay. There was also a mission corresponding to the movement of history and the shrinkage of the world. The Western approach was not nearly enough. The purpose, however unconscious and however veiled, was to bring China—like Japan—fully into the world at large. The extent to which this purpose has been achieved in Hong Kong today would seem incredible to Lord Palmerston, who had taken Elliot to task for the acquisition of a 'barren island with hardly a house upon it . . . which would never become the mart of trade'. Palmerston was more concerned at the time with Hong Kong's distance from the seat of power in Peking and the desire, for reasons of policy, to establish a base in the Chusan archipelago or even nearer Peking and thus to bypass the inveterate local obstructionism.

Dr. Abel, the medical officer of Lord Amherst's mission to the Court of Peking in 1816, wrote enthusiastically on his return to England of the island's natural advantages, especially of the great, almost landlocked harbour which 'can hardly have a superior anywhere in the world'; but the harassed merchants who later were driven to take up residence there found the place forbidding at first when they contemplated the task of building homes and offices along the narrow shores dominated by the steep, bare heights that literally came down to the sea. A special correspondent of *The Times*, Mr. George Wingrove Cooke, who came out in 1858 to cover the conflicts with Canton, described pungently the first-sight impression made upon him, fresh as he was from the verdant tropical scenes of the Malacca Straits.

'After long looking out for the "Asses' Ears", our first promised landmark, the Rock appears, at the very point where it had been reckoned upon. We steamed on and on into an archipelago of islet rocks, with a sort of green mildew upon them, but no mark of habitation or of animals. Oh! Where is the beautiful vegetation of Ceylon and Penang? Then an officer points out, not far ahead, the island of Hong Kong, with Victoria Peak. It appears to us an irregular line of broken, barren highlands, almost mixed up with the higher mountains of the mainland, which have clouds skimming under their summits, and a large pale sun setting behind them. A thin mist hangs around. An enthusiastic Scotsman says it is something like the Western Islands of Scotland, but not so fertile as the mainland. Everyone else, as the short twilight was vanishing and the mist deepened, asked his neighbour: "Is this what we have come 10,000 miles to see?" And then it became dark, and the ship steamed on, and changed her course, and we became conscious of the lights of many ships and distant shore lights, such as we see from the train as we pass through Bath at night; and then, "Stand by and let go the anchor", and we had arrived at Hong Kong.'

The correspondent had read all the travellers in these parts. But 'my earliest impression undoubtedly is, that our facetious European friend who advised us to "go to Hong Kong" in the present state of affairs, although he may have his pockets full of dollars, is not unlikely to be obliged to sleep upon the pavement of Queen Street, and will be indebted to the protection of the Malay guard if his throat be not cut before the morning. It is a town of capital houses, but its powers of accommodation are not capable of indefinite expansion. The flight from Canton and other causes have filled it. General Garrett and his staff, who might reasonably have anticipated some preparations for their reception, found it convenient to sleep on board the steamer, and were glad to shelter themselves where they might. The General, on the day after his arrival, with great difficulty got a room at an inn, and his suite were happy to avail themselves of the hospitality of the Hong Kong Club—an establishment to which we cannot be too grateful. If there is any

gratitude in Pall Mall, the Military Clubs should be open to every member who visits London, in requital of good offices rendered in utmost need.'

In those days, the correspondent recalled, a turkey and a ham cost £5, and a dollar was worth 5s in English money. He was a bit more cheerful next morning as he viewed the scene from a friend's verandah. 'We must imagine ourselves looking down upon a Scottish Loch—Loch Lomond or Loch Long will do. We must create by imagination a handsome city of light, airy houses upon the margin of the waters and climbing up the hills. We must fill the lake with shipping of every nation, and we must pour over all the hills the glare of an Eastern sun. In the harbour, besides the Chinese boats so comfortably fitted with their neat bamboo work, beside also several large junks with their great sightless eyes painted in the bows, their lofty sterns, and their mat sails, there is a fleet of sixty-four European merchant vessels, whereof many are steamers. The Yankee and the Dutch flags flaunt about with the Union Jacks, for it is Sunday; and every floating thing, from the Yankee *Challenge* (2,030 tons) to the little British *Squirrel* steamer of 50 tons, rejoices in its display of nationality. But more important now than these vehicles of opium and rice, silk and silver, ride the vessels of war. From the verandah we can count thirteen pennants.'

It was, of course, a time of war, but the picture of the harbour is a reminder that even then Hong Kong was a hospitable, if bare and grim, refuge for all. From the very first, indeed, Hong Kong was developed on a basis of free and equal opportunities for all, and the practice has existed and been enlarged upon with succeeding years. Here, as in few if any other cities in the world, one finds a medley of races engaged in commercial and industrial ventures with each other, co-operating in a variety of ways, enjoying each other's company, and demonstrating peaceful co-existence amidst all the basic freedoms.

Enterprising Chinese poured in by the thousand as soon as security and sanitation and just dealing were established on the island. They came to do business, and they stayed. There was a problem of population and of growth long before the influx of a million refugees after World War II. The surges of population at times resembled the tides of the sea, but over the years the tide of immigrants ceased to recede. Apart from visits at festival time to the ancestral home, most of them stayed, creating an almost insoluble problem in the provision of housing, water, hospitals, schools and similar amenities.

FORMATION OF THE CHAMBER

ALTHOUGH the British Flag was hoisted over Hong Kong on January 26, 1841, it was not until twenty years later that a Chamber of Commerce was founded in the Colony. Before the hoisting of the Flag, British merchants were often engaged in correspondence with the 'Chief Superintendent of Trade of British subjects in China', as the Representative of the British Government was then called.

This post was held by Captain Charles Elliot, R.N., at the time. On the taking over of Hong Kong he was appointed H.M.'s Plenipotentiary in China.

In June 1841, Mr. A. R. Johnson, one of the Deputy Superintendents of Trade, assumed charge of the Government on behalf of the Chief Superintendent, and this system of Government continued up to the ratification of the Treaty of Nanking in 1843, when Sir Henry Pottinger was appointed first Governor of Hong Kong.

From this time on until the formation of the Chamber of Commerce, the leading merchants used to combine and send joint letters to the head of the Government on such matters of public interest as appeared to call for representation on their part. This system was, however, somewhat cumbersome, and in his brief sketch of the history of the first half-century of the Chamber the then Chairman (the Hon. E. A. Hewett) commented that 'it is a matter for some surprise that the Colony should have existed for twenty years before a Chamber of Commerce was founded'.

A search through the local papers of the day fails to show how the first steps were taken towards forming the Chamber, and it is assumed that the matter was arranged privately by a few of the more energetic members of the Community.

The original subscribers to the Chamber consisted of 62 mercantile firms and banks, some of whom are still doing business in Hong Kong. The original list comprised: Messrs. Jardine, Matheson & Co., Dent & Co., Turner & Co., Russell & Co., The Oriental Bank Corporation, Gibb, Livingston & Co., Gilman & Co., Johnson & Co., Lindsay & Co., Ketcher & Co., Smith, Kennedy & Co., The Chartered Mercantile Bank of India, London and China, Augustine Heard & Co., Birley & Co., The Commercial Bank of India, The Agra and United Service Bank, Siemssen & Co., Bull, Purdon & Co., A. Ellissen & Co., Gifford & Co., Wetmore, Cuyder & Co., Vaucher Freres, Koopmanochap & Bosman, Olyphant & Co., William Pustau & Co., N. Duus & Co.,

Phillips, Moore & Co., Holliday, Wise & Co., Alfred Wilkinson & Co., Lyall, Still & Co., Bourjeau Hubsner & Co., D. W. Mackenzie & Co., Schaeffer & Co., Edward Gassett, Douglas Lapraik, Nowrojee & Co., R. H. Camajee & Co., P. & D. N. Camajee & Co., P. F. Cama & Co., D. N. Mody & Co., Eduljee Framjee Sons & Co., F. B. Cama & Co., Ruttonjee Framjee Vacha & Co., Jairaz Fazul & Co., Cassumbhoy Nathabhoy Sons & Co., Ameerodeen Jaffeerbhoy & Co., Jamsetjee Ardasir & Co., The Chartered Bank of India, Australia & China, Walker, Borradaile & Co., R. M. Gregory & Co., Oxford & Co., Smith Archer & Co., David Sassoon Sons & Co., Granville Sharpe, M. Pestonjee Setna, Peerbhoy Rowjee, Nanjabhoy Sozow, Adam Scott & Co., of Canton, Reiss & Co. of Canton, Margesson & Co., of Canton, John Burd & Co., Stephenson & Co.

The first meeting of subscribers was held at the Hong Kong Club on Wednesday, May 29, 1861, when Mr. C. W. Murray (Birley & Co.) was voted to the Chair, and Mr. Johnson was appointed Hon. Secretary. Present were Messrs. Alexander Percival, Chomley, MacAndrew, Reddie, Duus, Broderson, Nissen, Sharp, Purdon, Cuyder, Baldwin, Lapraik, Noble, Maclellan, Still, Linstead, P. Campbell, Maclean, Gibb, Delano, P. Dhunjeebhoy, Johannus, Murray, Johnson, Johnson, Bosman and Walkinshaw.

The first Committee elected by ballot were: Messrs. Alexander Percival (Jardine, Matheson & Co.), Chairman; W. Walkinshaw (Turner & Co.) Vice-Chairman, and Messrs. C. W. Murray (Birley & Co.), P. Campbell (Fletcher & Co.), J. D. Gibb (Gibb, Livingston & Co.), W. Delano (Russell & Co.), C. M. Reddie (Holliday, Wise & Co.)

At the second meeting, on Friday, June 14, 1861 at which the proposed Rules and Regulations of the Chamber were submitted, it was announced that H.E. the Governor and the Chief Justice had arranged to place at the disposal of the Chamber the rooms lately occupied by the Asiatic Society in the Court House until suitable accommodation could be found elsewhere.

Mr. J. C. Baldwin was appointed Secretary, and three new members were elected to the Committee, one of them in place of Mr. Patrick Campbell, owing to his approaching departure for Europe: Messrs. Pestonjee Dhunjeebhoy, W. W. Parkin and W. Nissen.

One of the earliest questions dealt with by the Chamber, beginning with the meeting on August 15, was that of the working of the Customs House system and its effects on foreign trade, which resulted in a Memorial on the subject being sent to H. M. Government. Copies were also sent to Mr. Frederick Bruce, H. M. Minister in Peking, and leading individuals and public bodies interested in the question in China, India, Europe and America.

The Committee was requested to ask members of the Chamber for details of any specific cases of injury or grievance sustained by the actions of the Customs House and to publish the information as an illustration of the working of the system at that time.

The records do not state the exact nature of the complaint then made, nor do the Minutes of the Chamber record a private meeting which was apparently held to consider the question and the confidential papers relating to it, but it appears that the merchants considered they had serious cause for complaint against the manner in which the Customs service of China was then being conducted. At the first Annual Meeting, held on April 22, 1862, it was stated that representations had been made to H.M. Government calling attention to the necessity for the appointment of an Officer at a central port in China to superintend the trade of the Empire. It was pointed out that the great distance separating Peking from all the principal ports open to foreign commerce rendered communication with the representatives of the common interests tedious and uncertain. For example, the letter of the Chairman of the Chamber to Mr. Bruce, dated August 26, enclosing the Chamber's Memorial to the Foreign Secretary, was not replied to until October 12.

A further inconvenience noted by the Committee arose from the method then adopted in the payment of postage in the Colony, and a letter was accordingly addressed to the Colonial Government suggesting the advantages which would accrue from the introduction of postage stamps. The subject had in fact already been taken up by the Hong Kong Government, and the Governor had sent to England a requisition for a supply of stamps for the Colony.

A further early grievance was the detention of steamers and ships for the payment of duty on goods imported by them. A letter was sent to H.M. Minister in Peking, pointing out that the interests of the ship-owners and the importers of goods, being for the most part entirely distinct, the operation of the present system 'inflicted great injustice on the former class of the mercantile body'.

No survey of the first year of the Chamber's existence would be complete without a passing glance at finance. The balance-sheet presented to members as they entered for the first annual meeting showed a credit balance of \$8,100. The Minutes add, however, that this arose in great measure from the fact that two years' subscriptions had been paid in, and that nothing had been paid for the temporary premises placed at the Chamber's disposal. It is likewise worthy of note that the Chamber did not appear anxious to pile up funds, and a hint that perhaps some of the balance might be useful to the Sailors' Home led to the passing of a resolution empowering the Committee to employ the funds of the Chamber in contributing at its discretion to charitable subscriptions or other purposes tending to promote the interests of commerce.

One of the earliest candidates for membership was a leading barrister-at-law, but the then Committee were unanimously of opinion that membership should be confined to members of the Commercial Community and the application was consequently refused.

An interesting incident was a protest made to the Naval Commander-in-Chief (Sir J. Hope) because a man-of-war sailed for Japan without previous notice. It was explained that communication with Japan was very irregular and thus the community had been deprived of a favourable opportunity of corresponding with that country.

Other matters before the Committee included the currency of Hong Kong, which was to remain an outstanding problem for many years, and piracy, in particular the attack on the *Iron Prince*. In this connection the Chamber presented a testimonial to the Commander, Captain Harris, to mark their appreciation of the courage shown in defending the property under his charge. The Committee did this because the owners of the vessel and cargo made no acknowledgment of the services rendered by Captain Harris.

Meanwhile the Committee had also brought the general members of the community into closer association with its activities. At the general meeting on May 26, 1863, the Chairman, Mr. James MacAndrew, directed the attention of members to the importance of affording assistance to the Committee by their co-operation. It was pointed out that the Committee were always anxious to ascertain the views of members on such topics of mercantile interest as might come before them. And it would tend greatly to strengthen their hands, and frequently prove of general public service, if members would occasionally at all events initiate the action to be taken by, and suggest subjects for the consideration of, the Committee. The Chamber, he added, might become a more convenient centre for re-union of members when it obtained an improved place of meeting.

'China merchants have not hitherto proposed an adequate representation with the Mother Country and Government', added the Chairman, 'and it should be an object with them, therefore, considering the important interests committed to their charge, to attain this end by a better organisation, and by directing attention more urgently to China questions, as indeed it was to some extent for this purpose that the Chamber was originally established'.

At this meeting, incidentally, the Chairman read a note addressed to the Secretary by Mr. H. Noronha, in handing a sum of \$1,233, contributed by the Portuguese Community of the Colony, to the fund organised by the Chamber for the relief of the distressed operatives of Lancashire, and requesting that it be remitted to England.

New members added at this meeting were Messrs. T. Sutherland, Superintendent of the P. & O. S. N. Company, who thus began a long and notable association with the Chamber, M. D. Ghandy, T. J. Reynolds and H. H. Swan.

CHAPTER III

THE BLOCKADE

LORD Elgin, who was sent in 1856 as a special envoy to China following the seizure of the *Arrow* by Commissioner Yeh, had given it as his opinion that 'if we intend to maintain permanent pacific relations with some 400 million of the human race, scattered over a country some 1,500 miles long by as many broad: if we intend that our merchants shall conduct their trade and commerce with that vast population in peace, in some shape or another, we must establish direct diplomatic relations with the Imperial Government of Peking'. This dictum was to a certain extent fulfilled by the terms of the Convention signed in 1860, but, although the Chinese had been forced to accept Western diplomatic representatives in Peking, many of the difficulties confronting merchants still remained.

For many years the struggle continued for the removal of obstruction, corruption and obscurantism with which the merchants had always had to contend. These same conditions faced even the Foreign Inspectorate of Customs when it came to be formed later on and for a long time were the basic problems of the Hong Kong General Chamber, indeed they were the prime object of its origin.

Correspondence between the Hong Kong and Shanghai Chambers began almost at once, firstly over attempts by the Chinese Government to interfere with the freedom of trade on the Yangtze, which continued over a period of many years with wearisome persistency. The conflict had to be fought on several fronts. In 1863 the Chamber sent a despatch to the Foreign Secretary (Earl Russell) adversely criticising a statement as to the working of the Chinese Imperial Maritime Customs made by the Inspector General Mr. H. N. Lay, which had been published in the Parliamentary Blue Book. At the same time the Chamber had to consider the question of claims put forward by the British merchants of Canton.

During 1867 considerable discussion took place about the need to revise the Treaty with China, and in July a special meeting of the Chamber was convened to consider the best way of putting forward the views of the Hong Kong mercantile community. It was ultimately decided to draw up a Memorial for presentation to the Secretary of State through the Governor (Sir R. Macdonnell). And, since a long and portentous fight lay before it, the Chamber decided to take the Press—then lively and bellicose—into its confidence, no doubt as a potential ally, and to admit its representatives to all general meetings at which matters of public interest were to be discussed. The debate at the meeting on October 19, 1867, was heated and lasted three hours, and the Memorial

was passed with amendments. The full text will be found, printed in relatively ornate form, in the official Minutes of the Chamber, addressed to the Duke of Buckingham and Chandos, then Secretary for the Colonies.

The Memorial laid down in detail many of the difficulties encountered by merchants at the time, and it demanded:

- (1) Enforcement of the existing Treaty which in many material respects was unfulfilled; suppression of the passive resistance of the officials to commercial progress; removal of the systematic evasion of consideration of important matters and of the obstructiveness of officials at the Treaty Ports; restoration of the prestige of the British Consuls, increasing it by the occasional display, if not employment, of 'more than moral force' when dealing with obstreperous local officials.
- (2) That the terms of the Treaty be made known throughout the Empire and thus prevent further interference with authorised travel in the interior under passport.
- (3) Permission for steam vessels to ply on the Poyang Lake and the extension of steamboat traffic on the Canton River.
- (4) Opening of the cities of Swatow and Kiungchow (Hainan) which, although included among the open ports, remained virtually closed because of the unwillingness of the local authorities to grant facilities to British subjects desiring to proceed there to carry on trade. In Swatow Treaty rights were entirely withheld and the populace assumed a threatening attitude with the connivance of the local authorities. At Kiungchow the growing trade with the Colony had been blighted by the almost prohibitory regulations of the Maritime Customs, limiting vessels bound for Hainan to clearance at Canton under pain of confiscation.

'The west coast or seaboard of the Canton Province, extending from Macao to Hainan', said the Memorial, 'affords promise of being connected with the Colony of Hong Kong by a traffic which, if fostered, may in course of time attain considerable proportions. The first step toward ensuring this would be the opening of the port and the encouragement of trade under British auspices.'

Other proposals in the Memorial called for the right of residence at other places than the Treaty Ports; the arrest of absconding debtors who went to 'Canton more far'; the mutual surrender of criminals and the reduction of tariffs, which, it was argued, would mean more revenue by the resultant increase of trade. Figures of the local and Shanghai trade were cited to support this argument. In a decade between 1856 and 1866 trade showed an increase in Hong Kong and Whampoa of £1,351,958 over the total in 1856 (£927,607), and in Shanghai of £4,210,947 over the total for 1856 (£993,304). Two-thirds of this trade, incidentally, was in cotton and woollen piece goods.

The Memorial urged these statistics as a valid reason for extending facilities for trade into the interior markets, and it further cited the abolition of the duties on silk in the U.K. and the reduction of the duty on tea from 1s 9d. to 6d. a lb., which alone in a single year cost the U.K. Government £7 m. It argued that in the prevailing depression everything should be done to help and stimulate trade and to discourage any retrograde movement. The aggregate reduction of the tea duty in Britain during the ten years to 1867 represented a sum total immeasurably exceeding any concession the Chinese Government would be called upon to make. Moreover the export of Chinese tea to the U.K. increased in that decade from 88½ million lbs. to 115 m. lbs. This brought the C.I.M. Customs greatly increased revenues, which were likely to increase still further. It was urged that British textiles and metals be admitted at half the five per cent *ad valorem* duty, i.e. 2½ per cent.

The Memorial called for the entire abolition of the coast dues on the carriage of coal, both foreign and Chinese, and especially protested against the irregularities in the imposition of Transit Dues, which after ten years remained a great source of annoyance.

Complaint was also made of the Likin or War Tax as being prominent among the exactions which, like the transit dues, were made at the caprice of every petty official. It was likewise contended that it was not competent for the Chinese Customs either to fine a British ship or subject or to confiscate British property, without the intervention of the British Consul. The retort to this, of course, was that the British Consuls could intervene only politically, not judicially.

There were in fact a whole host of grievances set forth in the Fifty Points of the Memorial, some of which had been put forward in an earlier Memorial, one of the first actions undertaken by the Chamber only three months after its inception.

Hong Kong appears to have been a good deal more vigorous in its representations than even the Shanghai Chamber, with, as Dr. Stanley Wright put it, 'their much wider experience of the actual working of the foreign controlled Customs system, and a juster appreciation of what that system stood for and of what it had already accomplished'. Living and trading as they were in a Treaty Port, the Shanghai merchants 'were more moderate in their statements than their fire-eating colleagues in the British free trade Colony to the south'. The Shanghai Chamber also offered their remonstrances, but they were directed not against the foreign inspectorate as such, but 'against those illegalities which, in the infringement of our Treaty rights, have lately been attempted by the C.I.M. Customs even when enjoying the advantage of foreign experience and advice in their administration'.

A spectacular phase of this long drawn out contest began with the establishment of so-called 'squeeze stations' all round the Colony for the collection by the Chinese authorities of the Likin on opium, which

almost inevitably were also devoted to the imposition of illegal exactions on all other forms of commerce.

Members harked back to the proclamation of Captain Elliot on June 7, 1841 declaring Hong Kong to be a free port. 'It is hereby declared to the merchants and traders of Canton, and all parts of the Empire, that they and their ships have free permission to resort to and trade at the port of Hong Kong, where they will receive full protection from the high officers of the British nation, and Hong Kong, being on the shores of the Chinese Empire, neither will there be any charges on imports and exports to the British Government.' Not only would the British Government collect no taxes, but 'it is further declared that there will be an immediate embargo on the port of Canton and all the large ports of the Empire if there be the least obstruction to the freedom of trade and intercourse with the port of Hong Kong'. It was clearly the intention of the British Government that Hong Kong should be a free port, and it was on that understanding that the first settlers, Chinese and foreign, came here.

The Chinese, it was argued, should collect their duties at the ports of destination, as did all other civilised governments, and if they could not do so, then they should go without. Indeed up to 1867 there was no blockade as such. British and Chinese vessels alike enjoyed free ingress to and egress from the harbour.

One suggestion was that the Indian Government and the Chinese Government should so regulate the trade in opium that it would cease to be a source of friction, and thus free ordinary trade from the restraints and restrictions originally imposed to suppress opium smuggling, and also to ensure that the Chinese Government received the benefit of the duties imposed on the import of opium. It was, in any case, assumed and indeed agreed between the Chinese and British authorities, that the Customs cruisers should address their attentions solely to the ships carrying opium, whereas, in practice, all British imports were victimised.

During this period the levies on opium were continually raised. The Tientsin Treaty permitted a duty of Taels 30, but actually another Taels 82 per chest were collected at the very gates of Hong Kong harbour and under the shade of the British flag as transit duty. The haphazard and precarious levy of 'squeezes' had become highly detrimental to the whole trading interest and was not limited to opium. The Chinese merchants themselves were afraid to furnish detailed reports of exactions on ordinary trade, for fear of getting into trouble with their own authorities.

The Hoppo of Canton and his employees, at the stations and on board the cruisers, levied double duties upon the junk trade. On all goods from China coming into the Colony he levied an export duty according to the native tariff; and an export duty according to the foreign tariff; and on all goods sent from the Colony he levied a double import duty in like manner. Soon after this system came into effect complaints were heard of extra exactions and respectable traders were mulcted and robbed.

As the Chairman (Mr. P. Ryrie) said at the time, 'a Chinese official will never, except under the severest pressure, admit that Hong Kong has ceased to be a portion of the Empire of China, and by some pleasant fiction no doubt makes it appear to the mass of the Chinese people that the presence in Hong Kong of a British Governor, a British Garrison, Law Courts, Police, etc. is permitted as an act of grace, merely for a time, by the all-powerful Sovereign of China. The cunning Hoppo saw in this position a splendid opportunity for filling his pockets, and he said "I shall perpetuate this state of uncertainty as to whom the Island of Hong Kong belongs, so I shall levy two duties, one as if it were part of China, and another as if it were a foreign port".'

The Chamber in the main supported the proposals of Sir Rutherford Alcock, the British Minister to Peking, for the revision of the Treaty, while urging that more ports be opened on the coast and main waterways and protesting against the Minister's proposal that trade by foreign vessels on inland waters should be confined to 'other vessels than those propelled by steam'. Nor was the Chamber appeased by a discussion in Parliament on China Affairs in which 'the grossest ignorance' was displayed and the advantages to be derived from an extension of British commerce 'wholly ignored'. (In 1911 the former Chairman of the Chamber, the Hon. E. A. Hewett, noted that 'after 40 years these statements unfortunately still hold good to an alarming extent!')

While these controversies were going on the Chamber was doing its utmost to help trade break out of its local and coastal confinement and reach out into the vast interior. A fairly large sum was voted to subsidise an expedition by a Mr. Moss up the West River on which after the turn of the century British steamers were able to ply all the way up to Nanning. It was also proposed that he should conduct a similar exploratory trade expedition to Pakhoi, but this was abandoned. The Tientsin Massacre, which began with the murder of the Sisters of Charity and but for a miracle might have led to the immolation of the entire foreign community, the Taiping Rebellion, and the disorders in Indo-China were discouraging factors.

Meanwhile the Customs, the Canton authorities and the Hoppo representatives were crowding in upon all the exits and entrances to Hong Kong harbour and even encroaching upon the harbour itself. Smuggling may have aggravated matters and brought about this impasse which became known to all and sundry as The Blockade. A blockade of Hong Kong it was indeed. The ring was complete. All junks entering and leaving harbour were intercepted, and dues collected on everything, irrespective of whether they were going up-river to Canton within the jurisdiction of the Hoppo, or to distant ports far removed from his jurisdiction. Even fishing and vegetable boats were overhauled and compelled to pay dues, while time and again the Hoppo's agents collected the taxes actually in the waters of the Colony.

So long as a system existed of supporting the Government of China by appointing officials without salary and leaving them to squeeze their salary out of the people, so long would the conditions exist which gave rise to the blockade.

The outcry became so great that the Governor appointed a special Commission to look into the matter, and a member of the Committee of the Chamber was invited to sit on it. Contrary to expectation, however, the Governor declined to furnish the Chamber with a copy of the Commission's Report, and once more the Committee had to resort to a Memorial to the Secretary of State emphasising that the trade of the Colony was being killed by the blockade, that the Imperial Guarantee given to the Colony as to freedom of trade was not fulfilled, and complaining of the inattention of H.M.G. to this 'most serious situation'. The Chamber felt a little better about it in 1875, when it acknowledged the valuable help received from the former Governor Sir R. Macdonnell, then resident in England, but still the Home Government remained indifferent. Ever since the opening of the Suez Canal in 1869, it had been preoccupied with matters nearer home—the Franco-Prussian War and Sedan, the Paris Commune, and Disraeli's Bill to proclaim Queen Victoria as Empress of India.

By this time the Chinese population, most of whom were concerned with trade, had grown appreciably. There were also many refugees from the depredations of the Taipings. By 1865 there were 125,000 Chinese compared with some 2,000 Europeans. The prosperity that had already developed merely whetted the appetite for expansion of trade to match the vast population of the mainland.

Even under the existing conditions, exasperating as they were, shipping using the harbour had shown a continuous increase. By 1864 the number of ships exceeded 4,550 and the tonnage passed the two million mark. Not all of them had cargo for the Colony, of course. Figures for the junk trade, which became available in 1867, showed that 20,787 junks of 1,353,700 tons entered, all engaged in foreign trade. A total of 67,715 ships of 5,738,793 tons came and went in that year, of which 4,879 of 2,376,320 tons were foreign-going. In 1874 the Harbour Master reported that the junk trade had increased each year from 1867 until May 1872, when a steady decline had set in. From this Mr. G. B. Endacott in his *History of Hong Kong* concluded that 'the blockade did not at first have the serious adverse effect which had been claimed'. In 1879 it was reported that the junk trade had still not recovered, but that more foreign-built ships were now under the Chinese flag. These could go to any port, and Chinese ships of all kinds now carried over 42 per cent of the Colony's inward trade.

In 1881 foreign-going ships, excluding junks, entering the port numbered 3,214 of 2,853,279 tons, and of these 2,750 of 2,599,461 tons were steamers. Junk arrivals numbered 24,339 of 1,620,025 tons. The

conclusion that the Chinese were enjoying more of the trade of Hong Kong was borne out by the evidence of increasing wealth of the Chinese in the Colony. They were buying up European property wherever possible, and land values were soaring. They tried to avoid the Hoppo's attentions by the increasing use of steamships, and one concern alone operated 13 steamers as early as 1877. Meanwhile the Chinese had become the biggest ratepayers in the Colony.

In spite of general progress in trade the problem of the blockade still remained and the Chamber appointed a Committee to interview Sir Thomas Wade, the British Minister at Peking, when he visited the Colony in 1879. In particular the Chamber took exception to the speech by the Foreign Secretary (the formidable Lord Salisbury), who told the House of Lords he had been informed by the Governor of Hong Kong (Sir J. Pope Hennessy) that the grievances over the blockade of Hong Kong had ceased and H.M.G. therefore did not propose to appoint a Special Commissioner to enquire into the matter as had been intended. The Committee insisted that 'the grievances complained of still exist and are as serious and well founded as ever', but received little satisfaction as a result of the interview.

The blockade still filled the agenda in 1880, when the Chamber decided to consider a compromise proposal on the lines suggested by the British Minister. The next year it came up again, and a resolution was finally adopted to forward a Memorial to the Secretary of State praying for the entire removal of the blockade.

During the discussion it was stated that this agitation had been carried on locally for thirteen years without any appreciable benefit to Hong Kong, and that while advocating the sending of another Memorial to the Home Government, the prospect of success was not encouraging so long as the same plenipotentiary remained in office. Nevertheless, the Chamber kept pegging away. The local river steamers complained to the Chamber of the preferential duties granted by the Hoppo in Canton on tea exported by native craft. This question was before the Chamber for many years and was only satisfactorily settled by the Native Customs being placed under the control of the C.I.M. Customs in 1901 after the Boxer Rising.

Meanwhile the entire stoppage of goods forwarded under transit passes in South China was caused by the local Chinese officials who, in the interests of their own Likin stations, refused to recognise an agreement entered into by the Central Government with the Treaty Powers.

In 1897 H.M. Minister in Peking was able to report that an agreement had been come to with the Chinese Government for the opening of the West River to foreign trade—an objective for which the Chamber had contended so long.

CHAPTER IV

PROBLEMS OF INFINITE VARIETY

DESPITE its incessant preoccupation with the blockade of Hong Kong, the Chamber had dealt with a great variety of problems. The legislative structure of a modern trade, shipping and industrial centre had yet to be created, and in all such matters the Government relied heavily on the advice of the Chamber. The need for a Bankruptcy Law; the preparation of a bond and award to be used in cases of arbitration; the publication of a market report for each mail; these were among the very first items on the agenda.

The Chamber also addressed the British Minister to China direct on a dispute arising out of a judgment given by the British Consul in Canton affecting the goods of a British firm, and continued to follow this practice of direct contact from 1862 onward—a point which Mr. Hewett recalled when some 50 years later a Consular official complained of such action and held that the Chamber should not communicate with British officials except through the Hong Kong Government—a ruling 'which, needless to say, has been rejected by the Chamber'.

The Chamber was also interested in the proposed Town Hall in which it hoped to have the use of a meeting room. In 1866 the Chamber for the first time arranged rates of brokerage and agreed with the Government that brokers should be licensed. The following year the Chamber reduced subscriptions to \$50 for firms and \$25 for individuals since at that time income exceeded requirements. It also became involved in considerable argument over the new Stamp Ordinance and the 'high-handed' attitude of the Collector of Stamp Revenue. A year later the Chamber had cause to protest against licensed gambling in the Colony as calculated to injure trade and encourage dishonesty.

A question was brought up in Committee with regard to asking Messrs. Jardine, Matheson & Co., to join the Chamber. The 'Princely House' appears to have been one of the original members, but shortly afterwards to have resigned, and did not rejoin until August 1869, when Mr. William Keswick was appointed Vice-Chairman and shortly thereafter Chairman.

A piquant conflict was revealed when, after the Consul in Amoy, Mr. Gibson, had been severely reprimanded by the Foreign Office, the Chamber, in August 1869 recorded its 'appreciation of the admirable conduct of the late Mr. Consul Gibson in bringing about a settlement the previous November of the wrongs inflicted upon British subjects by the Chinese officials at Taiwan and its neighbourhood, and of at length placing our relations with that part of the Empire upon a

satisfactory footing'. Mr. Gibson's action included the landing of an armed Naval party at Amping. The reprimand from Home, coming on top of the ill-health caused by the exertions and worries endured, ultimately caused his death at Amoy on July 28, 1869. The Chamber, noting that the British community thoroughly appreciated the great services the Consul had rendered, placed the resolution on record 'with a view to doing some justice to his memory'.

In September of that year membership, previously limited to British firms, was extended to all mercantile firms and persons engaged or interested in the trade with China. The Chamber's offices had been frequently moved, but in March 1870 a room was rented in the City Hall and this arrangement continued until 1905, when the offices were transferred to St. George's Building.

The proper lighting of the approaches to the harbour and a proper survey of the China coast occupied the Chamber's attention, and a special fund was raised in 1873 to provide gratuities to native fishermen for reporting unknown reefs and rocks. This fund was still being administered by the Chamber half a century later.

The Chamber maintained from 1873 onward a constant agitation for the enlargement of and efficient equipment for the Fire Brigade.

The annual meeting on March 14, 1883, was memorable for the speech made by the Chairman (the Hon. F. B. Johnson), in which he pointed out 'the weak position held by the present Unofficial Members of the Legislative Council, who, being nominated by the Governor, represented no one in particular'. He urged the necessity for 'representative members being on the Council', and forecast the needs of the Colony in coming years.

Among other matters he urged the reclamation of the whole sea frontage of the city of Victoria, so that *inter alia* a suitable tram service could be maintained. At the same time severe criticisms were passed on the administration of the late Governor (Sir J. P. Hennessy), and reference was made to the 'very misleading' speech recently made by him at Nottingham—a speech to which the Chamber of Commerce, in the interests of the Colony, felt forced to reply in order 'to remove the erroneous impressions which such a speech, coming from such a source, must create in the minds of people at Home'.

Mr. Johnson proceeded to urge the advisability of having a China and Japan Committee in London to watch over trade interests in the Far East; and also made a strong case against the imposition of light dues on shipping visiting Hong Kong. It was also decided to draw up a Memorial to the Government asking for an extension of the Praya through from the East to the West of the town.

Mr. Johnson's hint about representative members on the Council appears to have been taken, for at the beginning of 1884 a special meeting was held to elect a member of the Chamber as their representative on

the Legislative Council—H.M. the Queen having on the recommendation of the Governor (Sir George Bowen) been pleased to grant this privilege to the Chamber. Only one name was submitted, and it was that of Mr. (later Sir) Thomas Jackson, who thus became the first representative of the Chamber on the Legislative Council.

The war between China and France, the blocking of Chinese ports by the Chinese and the searching of neutral ships at sea by the French, led to protests and to representations on the inadequate defences of Hong Kong.

Hong Kong joined with other trading centres in raising a memorial to the late Sir Harry Parkes in Shanghai, where he had spent the greater part of his distinguished career. The statue was unveiled by H.R.H. the Duke of Connaught in 1890.

Old items that frequently cropped up included the proposed trade dollar, and the Gap Rock light. A new item in which the Chamber greatly interested itself was the proposed Convention between the Chinese Government and the Eastern Telegraph Co. which it was feared would result in a considerable increase in telegraph rates for years to come. An appeal to Sir John Walsham (Minister to China) being unheeded, the Chamber petitioned the Queen on the matter. In this most of the Chambers in China joined, and later it was announced that the proposed Convention had been abandoned. This later lacked confirmation and protests were renewed.

The new Shares Bill in 1891 uncovered much opposition in the Chamber. The intention of the Bill was, while giving full protection to bona-fide transactions, to check such reckless gambling as in the previous two years had had a disastrous effect on the Colony. The Government nevertheless passed the Bill. Another question of interest at that time was that of appointing a Chinese Consul for Hong Kong. The Chamber recorded their strong opposition to such an appointment.

Because the British Minister showed apathy toward trade interests, the Chamber felt forced to address themselves direct to the Foreign Office, with the result that the Chairman was able to tell the annual meeting in 1892 that a most marked change had taken place in the treatment the Chamber now received.

Early in 1893 the Unofficial Members of the Legislative Council decided to forward a petition to the Secretary of State, protesting against the great increase in the cost of the administration of the Colony, and asked the support of the Chamber. After full consideration it was agreed, though certain parts of the petition were somewhat beyond the scope of the Chamber's operations, to support the request for an Independent Commission to report on the cost of administration of the Colony and to address the China Association in London on the subject.

In March 1895 a serious strike of labourers took place in consequence of the proposal of the Government to register the labourers' lodging houses, which the labouring population feared might lead to further taxation, if not to the imposition of a poll-tax. The whole of the trade of the Colony was brought to a standstill, and very great losses were incurred. A public meeting was held on April 1, 1895, and a resolution passed expressing approval of the firm attitude taken up by the Government, 'as by such means alone can the present difficulty be overcome and its recurrence be prevented'.

The following day a letter was received from the Colonial Secretary, Mr. Stewart Lockhart, severely criticising the action of certain firms who, it was maintained, while professing to support the Government, were actually, by their attitude, lending tacit support to the strikers. The Committee took strong exception to Mr. Lockhart's letter, and decided to circulate it among the firms in question for an expression of their opinion. However, at the annual meeting held shortly afterwards no reference was made to the question.

Later in the year some discussion took place in the Committee as to the propriety of the Chamber having addressed the Doyen of the Diplomatic Body at Peking (the U.S. Minister) instead of the British Minister, on the subject of the opening of the West River. The latter (Sir N. O'Connor) passed through Hong Kong a little later and declined to receive a deputation of the Chamber for the above reason. However, he expressed himself willing to see any individual member of the Committee who might desire to meet him. Precedents were quoted to show that the Chamber had on more than one occasion communicated direct with the Doyen of the Diplomatic Body, while on the other hand it was urged that the Chamber, representing a British Colony, should communicate with the British Minister at Peking. The Minutes do not say whether or not any member did see the Minister.

The merchants never took their eyes off the West River and its potentialities, and early in 1896 Mr. John Andrew attempted to take some piece goods under transit pass to Wuchow. The sale of these goods was stopped by the Likin officials, and heavy loss was incurred as a result. The matter was taken up with the Legation and under pressure from Peking the Prefect subsequently issued a proclamation authorising traders to purchase Mr. Andrew's goods; but as the Likin and Customs dues would still be levied immediately on sale to the Chinese, none would buy. The matter was therefore referred by the Chamber of Commerce direct to the Foreign Secretary, and after considerable delay the Canton Government recouped Mr. Andrew for the loss.

In April, Sir Claude Macdonald passed through Hong Kong on his way to Peking as British Minister. He granted an interview to the Committee of the Chamber and several matters of importance were brought to his attention, not without effect, for at the annual meeting

in May the Chairman was able to report that the Chinese Government were being pressed to carry out their treaty obligations regarding transit passes.

The Chamber had long concerned itself with the vital matter of cable communication, and at a public meeting called by the Chamber on September 19, 1896, the question of the increase in telegraph rates, and the ratification by the British Minister of the Telegraph Convention, were fully discussed and condemned. The report of the meeting was later circulated to all leading Chambers abroad, and copies were sent to the Hong Kong Government, the British Minister, the Foreign Secretary, the Government of India, and others. Early in January 1897, the Foreign Office intimated that, as a result of the attention given to the matter by Lord Salisbury, concessions had been made by the Joint Telegraph Companies.

Almost at the same time came the good news that an agreement had been reached in Peking for the opening of the West River to foreign trade—a reward at long last for the constant endeavour of the Chamber. This was accompanied by an attempt to create a Likin monopoly of kerosene and matches, but later the additional terminal tax was cancelled.

When it was decided to construct a harbour of refuge for small native craft, which was unquestionably required, the Chamber registered its protest against the decision that shipping should bear half the cost.

The Chamber took a lively interest in the visit of Admiral Lord Charles Beresford, M.P., to China on a commercial mission, and on November 19, 1898, several very weighty resolutions were passed by the Committee urging the importance of the Colony as a depot for trade with China, and dealing with various matters calling for reform in order to facilitate business with the Empire.

On January 9, 1899, a crowded public meeting in the City Hall heard Lord Charles Beresford narrate the result of his enquiries while in the Far East, pointing out the various lines on which, in his opinion, our intercourse with China and other Powers in the East should be conducted. The address, which still makes most interesting reading, showed throughout the grasp which Lord Charles had acquired of the various issues more directly under the notice of those resident in China, and how thoroughly he had studied the whole problem during his visit. The Open Door, a fair field and no favour for all, was the gospel he preached.

THE BOXER RISING AND THE NEW ORDER

THE Taipings and the Nienfei had become spent forces well before the turn of the century, but there were other and even more ominous reactionary stirrings both below and upon the surface of China. These culminated in the Boxer Rising, the Siege of the Legations, and the massacre of foreigners in the interior. The International Relief Expedition forced its way to Peking and freed the Legations ten days after the column set out from Tientsin on August 4, 1900. The Imperial Court fled, first to Taiyuan and then to Sianfu.

Naturally the attention of the Chamber was largely devoted to these spectacular events and little ordinary business was done. But in September the Chamber joined with others in making a protest against what they considered the too speedy withdrawal of the Allied troops from Peking. The Peace Protocol was signed in Peking on September 7, 1901.

As a corollary of this, a new Commercial Treaty was subsequently drawn up between Great Britain and China, and the terms of this treaty monopolised the attention of the Chamber. The then Chairman (Sir Thomas Jackson) dealt with the subject fairly fully in his address at the annual meeting on March 24, 1902. His predecessor in the Chair (Mr. R. M. Gray) had expressed the hope that the terms would include the arrangement of all outstanding issues and especially do away with all the illegal duties on imports, the abolition of the injurious monopolies, and cessation from the continual harassment of trade by 'squeezing mandarins'. What the Special Commissioner, Sir James Mackay, actually proposed was that in return for the abolition of all internal taxation of whatever nature the Chinese would be allowed to raise their import duties. The principle, said Sir Thomas Jackson, was generally agreed—the issue was the amount of the proposed increase and the actual ability of the Government to enforce the abolition of the internal taxes. The vexed question of the preferential duties accorded by the Hoppo or Superintendent of Native Customs at Canton to junk-borne cargo had come to an end, their collection having been handed over to the C.I.M. Customs.

The new Mackay Treaty was signed in Shanghai on September 5 and ratified by Peking in July 1903. Moreover, a new agreement between China and Great Britain called for the termination of the whole of the foreign opium trade in ten years, provided the cultivation of native opium was also abandoned in the same period.

This was a matter that naturally gave rise to much comment, and the Chamber realised the importance of ensuring that, while Great Britain carried out her share of the bargain, China did the like. Already, in the summer of 1902, the opium hongs stated that the Canton authorities had imposed an increased duty on all kinds of opium, and the Consul, in confirming this, added that a proposal had been put forward to form a syndicate to farm the new tax. British protests led to instructions being sent down from Peking forbidding the new impost.

The same thing happened to attempts to impose special Likin and 'battery' taxes on imported yarn. But it was not until much later that the Consul-General at Canton was able to succeed in securing the 'final' abolition of the tax on prepared opium in the South. This hope or prophecy was falsified eight years later, even before China began sliding down into the abyss of anarchy as a result of the early failures of the Republic. The higher tariff was chiefly designed to enable China to pay the heavy war indemnities imposed. There was a conflict of interest between certain Powers governed by the degree of their interest in seaborne trade. Finally, it was learned that the Chinese tariff was to be converted into an effective five per cent, while the native Customs at all open ports were to be handed over to the C.I.M. Customs.

Meanwhile, in Hong Kong, upon definite instructions from the Home Government, all opium divans were closed. Protests were based on the feeling that while it would cause a great loss of revenue to the Hong Kong Government, it would have little effect in curtailing the amount of opium actually consumed in the Colony. Two valuable Memoranda, one written by Sir F. Lugard and the other by Mr. (later Sir) Cecil Clementi, were printed in the Chamber's Annual Report for 1908.

The complications caused by the severe struggle between Russia and Japan in 1904 led to a renewed demand for the construction of railways between Kowloon and the mainland and the need to link up railways in China with the Imperial lines. Far-reaching effects on international trade were anticipated as a result of this war, causing as it did the transfer of Port Arthur and the ultimate absorption of Korea by the Japanese. Mines placed in harbours within the war zone found their way into the open sea and for months caused great uneasiness to peaceful shipping.

The violent typhoon which swept over Hong Kong on September 18, 1906, causing much damage to shipping and terrible loss of life, gave rise to renewed representations to the Government on the need for a larger typhoon shelter for small craft. A conflict occurred with Government over the private moorings, Government wishing to have entire control of the buoys while leaving the owners to bear the cost and responsibility of keeping them in order. The need for a permanent quarantine station was also before the Committee, and representations to Government finally resulted in the purchase of a site with suitable buildings for this purpose at Laichikok.

The better control of Companies trading in China, but registered in the Colony, was again before the Government, which consulted the Chamber on certain points of their proposed legislation. The Committee agreed that further powers on the part of the Government were desirable.

In 1900 a proposed amendment to the Bankruptcy Ordinance having been considered, the Committee urged upon the Government the necessity for the compulsory registration of partners in Chinese firms or Hongks, but, after a Special Committee consisting of the Puisne Judge (Mr. A. G. Wise), Dr. Ho Kai and Messrs. Wei Yuk, John Thurburn and Leung Pui-chi had gone carefully into the matter, they reported against the proposed registration.

In the summer of 1910 the British Section of the Kowloon-Canton Railway was opened to passenger traffic, and so later in the year was the first section of the Chinese line from Canton towards the British border. Completion of the line was expected by the autumn of 1910.

At the end of his summary of the Chamber's activities in the first half century of its existence Mr. Hewett said:

'It will, I think, be readily admitted that the record of the Chamber is a good one, and that successive Committees have worked hard, and in most instances successfully, in the interests of the Colony and its trade. While fearlessly advocating views which they believed were in the true interests of the Colony as a whole, even when they found the high British officials, in the Far East or at Home, were disinclined to agree with them, they have, by strictly confining themselves to such questions as rightly fell within their province, and by their moderation of expression, almost invariably gained the respect and goodwill of the officials, even when failing to secure the full support they desired.

'It is only right to place on record the courtesy and consideration which has, at all events of recent years, invariably been accorded to the Chamber of Commerce by the officials of this Colony, and I doubt if anyone now resident in Hong Kong can recall a single instance in his own experience where the reverse has been the case.

'This is a very marked advance on the bitter controversies which at times took place between the leading members of the Mercantile Community and the higher local officials in the earlier days of the Colony.

'The existing state of affairs will, we believe, continue, much to the benefit of the Colony in which we—official or unofficial—the residents of Hong Kong, are all so deeply interested, and whose prosperity and progress we have so much at heart.

'The history of the Chamber of Commerce has been the history of Hong Kong for the past 50 years, and this intimate relationship between our Chamber and the Government of Hong Kong must continue, if our wish for the advancement of our Colony is to be realised.'

It was at the annual meeting of the Chamber on March 20, 1911—which was the 50th annual meeting—that the Chairman presented his outline of the history of the Chamber, 'in order to bring to your notice some of the earlier struggles of the Chamber'.

Mr. Hewett confessed that 'the study of the mass of documents which it had been necessary recently to peruse brought home to me more forcibly than I had up to that time properly realised, the enormous amount of hard work, honest work, which had been devoted by so many of my predecessors to the problems which confronted them. The result is to be seen today, when the position of the Chamber as an authority on such questions as fall within our province is, I fearlessly state, unimpeachable, while the growth and prosperity of the Colony of Hong Kong is chiefly due to the years of devoted and honourable labours of our forerunners, a devotion and labour by which not only we, but the whole of our Empire, benefit.'

PORTENTOUS YEARS

THE decade that began in 1911 produced spectacular events both in Hong Kong and in the world at large. First came the Revolution which ended the Manchu Dynasty and created the Republic of China, then the opening of the Panama Canal, which induced visions of ships of such size that a survey of the harbour and a comprehensive scheme for dredging it were postulated. Then came the catastrophic outbreak of war in 1914, which for more than four years deranged the economic system of the world.

The Chairman spoke on February 29, 1912, in the following terms:

'Since our last meeting, very great and startling changes have taken place in the Empire of China, resulting in a new form of Government, and we trust what will shortly prove to be a more enlightened, progressive and civilised form of Government than the old order which has so suddenly been swept away.' He went on to say: 'We have as yet hardly done more than scratch the trade of China. With a reformed and enlightened Government, able to control and fittingly to direct the forces under them, we should see an enormous increase in the foreign trade of the Empire, which would so greatly benefit all concerned, and more particularly the industrious, sober-minded people of that great country. We can only hope and trust that the work of settling the country and of bringing in a reformed Government will be promptly and efficiently carried out, and that under the new regime we will no longer have to complain of the constant breaches of treaty and acts of bad faith towards the Treaty Powers of which the Chinese Government have for so many years been guilty. . .'

How soon these hopes crashed to the ground! At the next annual meeting the Chairman spoke of the poor response by China to the measures agreed to for the reduction of the opium traffic and causes for criticism and disillusionment multiplied. Meanwhile there were plenty of troubles closer at hand to preoccupy the Chamber, from an epidemic of burglaries and robberies to a boycott by the Chinese of one of the local Companies.

Tribute was also paid at this meeting, in 1913, to the late Mr. William Keswick, M.P., for eight years Chairman of the Chamber, a position which he first filled in 1870. It was also noted that Mr. Henry Keswick, a former Vice-Chairman, had stepped into his father's shoes as M.P. for Epsom, and had also become Chairman of the Far Eastern Branch of the London Chamber.

Once more the urgent need for a suitable commercial wireless station was stressed in April 1914, and it was stigmatised as a 'scandal' that, after a continuous agitation over the previous three years by the Chamber, such a valuable aid to shipping and commerce in these seas was still lacking. It was, however, noted that the Government were taking steps to design the building for the reception of the plant for the radio station at Cape D'Aguilar.

At the same time the constant disturbances all over China were deplored, especially as large areas were going over to brigandage, piracy was again becoming a serious menace, and, despite the goodwill shown by the Powers, there were still frequent instances of lack of good faith by certain high officials.

The appalling *Tai On* piracy case—one of the most sensational in the history of such crime in these waters—following on that of the *Sainam* in 1907, led to renewed emphasis by the Chamber on the serious nature of this danger to shipping, especially to the river traffic.

The outbreak of war in Europe provoked further criticism of Hong Kong's backwardness in wireless facilities. 'It seems incredible, with our enormous shipping, both Naval and Mercantile, and with our world-wide Empire, that war should have suddenly found us practically without such important means of communication.' The Chairman, however, had much to say in praise and pride of the splendid response the call to arms had occasioned, in which the Far Eastern Colonies had not been at all backward, with Hong Kong's record as good as any.

The conflicting changes in official policy regarding enemy aliens, and the extraordinary anomaly in China, where British subjects were free to carry on business with enemy subjects, also invited the Chairman's strictures, and many who knew this remarkable personality must have felt that the tragedy of the war and the disruption of everything it occasioned must have hastened the death of Mr. Hewett.

Mr. Hewett died in December 1915, and at a special meeting held to elect a new Chairman warm tributes were paid to him. A resolution was passed unanimously deploring the loss sustained by the Chamber in his death and recording their profound appreciation of his untiring services to the commercial community of Hong Kong—for 15 years as a member of the Committee, for 13 years as its Chairman, and for nine years as the Chamber's Representative on the Legislative Council. The Chamber offered the University of Hong Kong two Scholarships, each of the value of \$300, to be known as the Hong Kong Chamber Hewett Memorial Scholarships.

The Chamber was critical of the Piracy Prevention Ordinance, which was held to leave much to be desired in its operation. The dual control of the armed guards did not work well and reduced passenger traffic.

It was at the annual meeting in 1915 that Mr. W. H. Bell (Asiatic Petroleum Co.) suggested the starting of a School for teaching the Chinese language to mercantile assistants, such as had already been founded in Shanghai and Canton. Merchants, he was convinced, would soon have to send men up-country to keep their share of the trade, and before long a clause would be inserted in agreements requiring young members of the firms to know Chinese. It was also proposed that the School should institute a series of examinations and that it should be financed by the firms which made use of it. The Committee was asked to formulate a scheme for its establishment, and shortly thereafter it opened under the Chamber's aegis.

It is difficult to realise that, for the greater part of its history, the Colony had no trade statistics other than the records of shipping tonnage. Mr. G. T. Edkins was in the Chair at the Chamber's meeting on March 20, 1917, when he referred to the growing demand among merchants for statistical records of the Colony's trade, particularly those showing countries of origin of imports. It was hoped that the then current expansion of the Government Imports and Exports Office might provide a starting point for the issue of comprehensive trade statistics.

A plea for the reduction of European ocean freight rebates claimed a good deal of attention from the Committees of Chambers in China and in Hong Kong—the enhanced rates and the time occupied in payment of rebate claims being mainly responsible for the raising of the question. Strongly divergent views were held by merchants and the matter was ultimately dropped because of this.

In the Legislative Council the Chamber's representative urged the extinction of enemy trade marks and the Chamber also stressed the need for legislation to ensure the sound conduct of the Insurance business in Hong Kong, as adopted in Great Britain and elsewhere, for the security of policy holders and the curbing of mushroom companies.

Addressing the Chamber as their representative on the Legislative Council, Mr. Holyoak referred to the laborious and sometimes fruitless process of getting questions answered in the Council, and suggested that some Constitutional Reform might be possible whereby any question affecting real business interests might be answered by the responsible official in the Council on broad lines; and some amplified answer be given if necessary. At the same time he paid a cordial tribute to the ready assistance he had received from every senior official, and from the Governor himself, on questions which really affected the trade interests of the Colony when he had personally presented them. The time had come, he said, when it would no longer be possible for the official majority to veto the considered and determined opinion of a body of merchants such as were represented at that meeting.

The Chamber had been approached from various sides on its standing as a British association. Established as they were in a British Colony with a preponderance of British members, the Chamber's practical status was that of a British Chamber, and the Chairman said he would ask those holding allegiance to other than the British Flag, but whom they were glad to have with them, to make due allowance for that point.

There was discussion already during 1916 about the treatment of Germans by the Colony after the war, on which the Chairman and the Governor had expressed themselves rather differently; this was followed by a period when relations between the Chamber and the Government were somewhat strained, chiefly because the Chamber had taken exception to some ill-chosen words used by the Governor in reference to Sir Thomas Jackson and Mr. William Keswick.

The restoration of harmonious relations was reflected in the Chairman's speech at the annual meeting in March 1918 expressing appreciation of the valuable assistance given to the Committee by the Government, and the sympathetic manner in which most of their proposals had been received and acted upon; notably the request for legislation in connection with insurance evils (which culminated in the passing of the Fire and Marine Insurance Companies' Deposit Ordinance, 1917,) and protection against claims where contracts had clearly been interfered with by War Regulations at Home. In particular, the Chairman recorded the Committee's appreciation of the 'unfailing energy, tact and courtesy we have received at all times through protracted negotiations at the hands both of the Attorney-General, the Hon. J. H. Kemp, and the Colonial Secretariat', and the invaluable assistance given by the Superintendent of Imports and Exports.

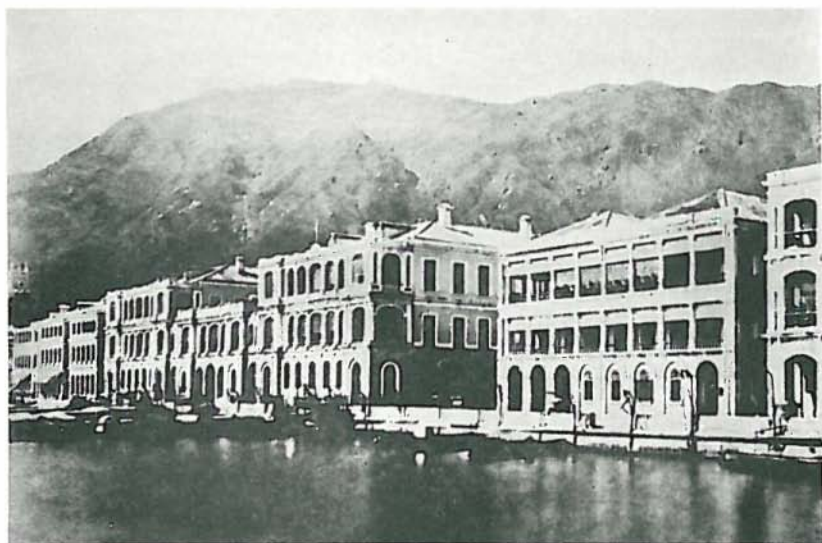
Although the Marne catastrophe was imminent, the Chamber's leaders were already looking forward to the victorious conclusion of the war and had already addressed the Government on the urgent need for the earliest release and return of local volunteers medically discharged or on the cessation of hostilities. A register of the employees of local firms then serving on the various battlefronts had been kept by the Chamber, which also undertook to endeavour to expedite the return of men unfit for further service.

Meanwhile the continuous rise in the value of the dollar in Hong Kong caused great hardship to the Services and their families here, and, despite representations and offers of aid from the Colony no relief was forthcoming till the end of the year, and then only for the rank and file. The dual policy of maintaining British trade here and at the same time calling for men at all costs produced an unpleasant controversy, since few Europeans were left after the many who had volunteered, but the Committee did everything in their power to relieve men called up of family anxieties.



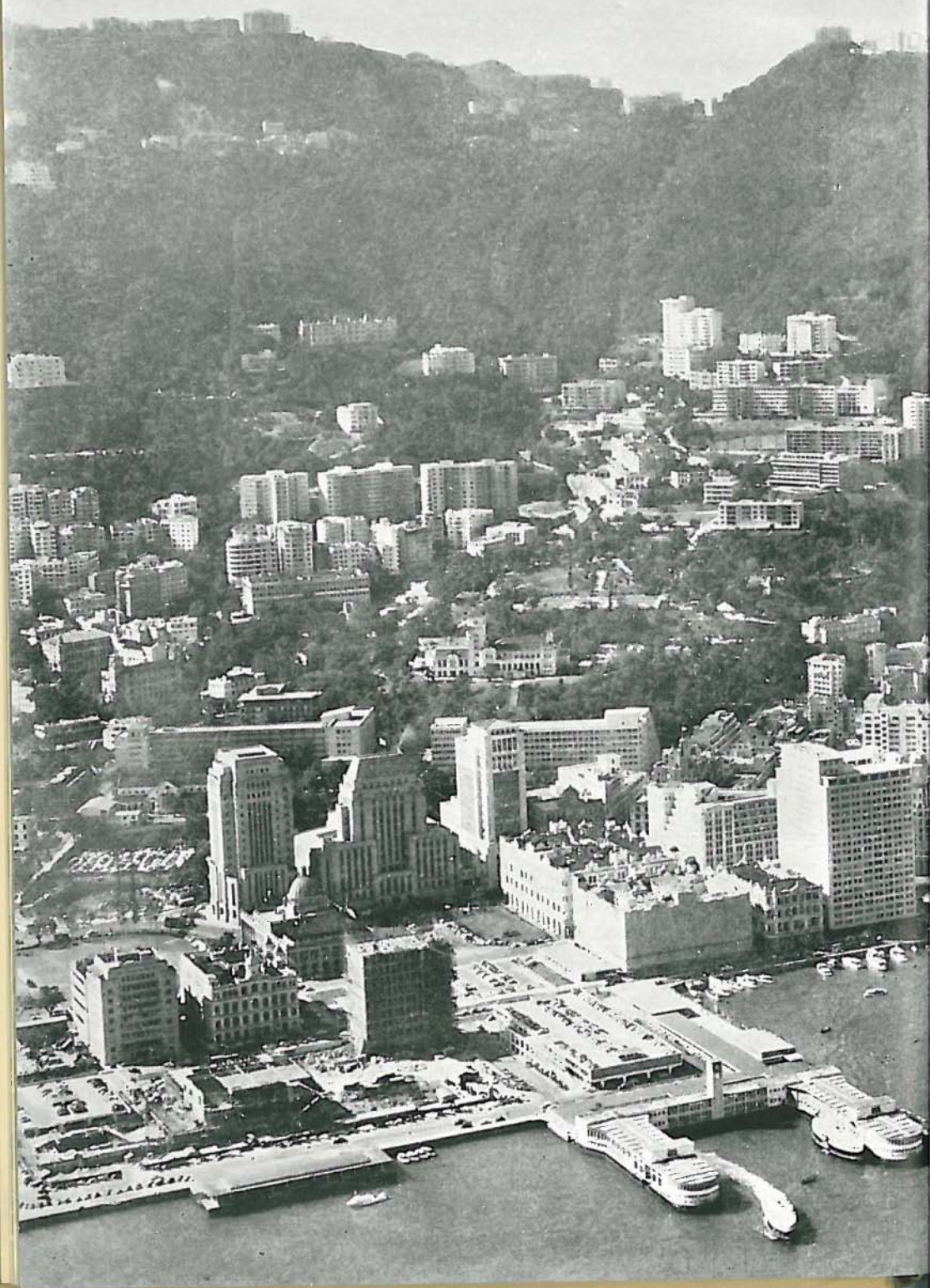
By courtesy The Hong Kong Club.

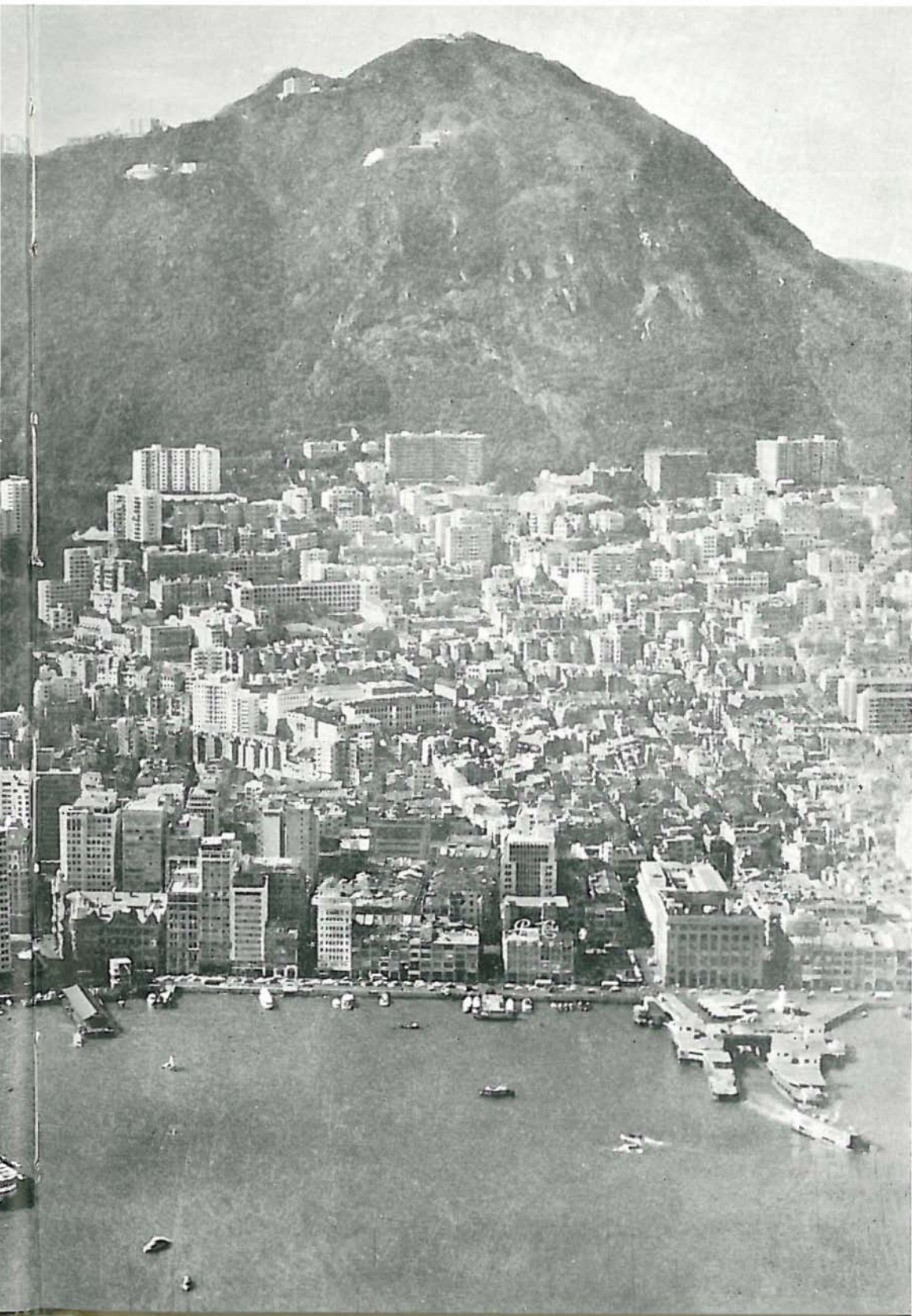
Queen's Road, 1860, showing the old Hong Kong Club,
where the first meeting was held.



Waterfront, 1860, now Des Voeux Road (Government Collection).

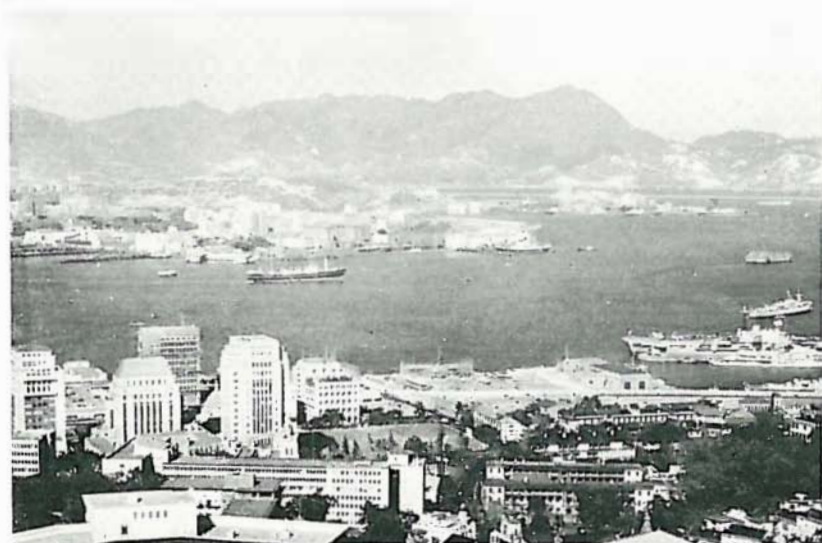
Overleaf: Aerial view of Victoria, 1960. *By Robert Fournier.*







The harbour from The Albany, 1865. (Government Collection).



By Eddie Chan.

A similar view of the harbour, 1961.

The end of the war did not mean the end of problems for the Chamber. Cable delays had become intolerable, the land lines were disrupted by the Revolutionary disorders in Russia and Siberia, and conditions both in mail and cable traffic, which had so often engaged the Chamber in previous years, were highly unsatisfactory.

The inflation in the price of silver and other commodities after the war also demanded constant attention. There was such a shortage of dollars in Shanghai in December 1919 that great inconvenience was caused to trade, and at one time the Paymaster at Tsingtao was unable to get enough of them to pay the repatriated labourers.

Although aircraft had developed greatly during the war, 1920 was still a pioneer age. The crossing of the Atlantic had only just been accomplished, and one of the two who made this flight—Sir Arthur Brown, who with Alcock became one of the 'air immortals'—came to Hong Kong, with a special Commission formed in the U.S.A., to organise the first Aerial Derby Round the World.

Hong Kong, said the then Chairman of the Chamber (Mr. S. H. Dodwell), as one of the largest shipping ports in the world, should do all it could to ensure that, what she had become to those who went down to the sea in ships, she would also become to those who in the future went up in the air in ships.

Sir Arthur Brown gave some seasoned advice about the potentialities of air travel, but he swiftly dismissed any idea of an airfield in rocky Hong Kong and based all his suggestions on flying-boats, which would require only a pier and landing-stage tower. The Chamber in turn emphasised the importance to China of aeronautics in opening up the country.

The Committee, at the request of the Colonial Secretary, named certain of its members to serve on a Committee of Enquiry into the Economic Resources of the Colony, under the chairmanship of Sir Paul Chater. Imperial Preference, too, had its modest beginning in this period, though it was remarked at the time that 'very few if any of our exports owe 75 per cent of their total value to Colonial labour and materials'. It was added, with commendable foresight, however, that 'with Hong Kong's growing industries, the Regulations may prove of the utmost importance to the Colony'.

Representations about the inefficiencies of the telephone service were renewed, and the presence in the Colony of the Director of the Oriental Telephone Co. enabled the incoming Committee to take them up with him direct.

In 1921, the Chairman (Mr. Holyoak) was ordered Home by his medical advisers for a complete rest. He had been the Chamber's representative on the Legislative Council for six years, but he intimated that on his return he would be happy to serve the Chamber again if so required. He was re-elected for a further term and Mr. A. O. Lang was elected to serve on the Council during his absence.

A notable event in December 1921, was the visit of a Commercial Delegation from the San Francisco Chamber of Commerce, which also visited Java and Canton. The visitors were taken on a tour of the Colony and harbour, and declared they were highly impressed 'by the way in which, with your modern ideas, you have developed your city and the hillsides and contended with all manner of physical disabilities'.

The annual meeting on March 29, 1921, was remarkable for the forthright speech of the acting Chairman (Mr. John Johnstone), which was perhaps the more pungent because it was also a valedictory. He stressed the importance of the Conference of British Chambers in Shanghai because of its general bearing on the trade of China; critically compared the lavish provision for the education of young Chinese by the Americans with the inadequate British efforts; and urged the Government of Hong Kong to 'abandon its parochial methods'. Hong Kong, he said, was the lips, and Canton the mouth, of the South, and Hong Kong's situation, from a merchant's point of view, was to all intents and purposes a part of China. 'It is trade that has made this place and it is to trade that the Government must look to support it.' He referred to many other topics in the same brisk vein, including the inadequacy of the Fire Brigade, the need for a Commercial Secretary in Hong Kong, and for Government Departments to 'sink their petty jealousies'.

The Stamp Ordinance, 1921, aroused a great deal of criticism as tending to drive business away from the Colony. The meeting of capital expenditure out of revenue was also questioned. There was a recession in trade at the time which affected the engineering and shipping trades in particular all over the world, and all firms were trying to cut down expenses. It was realised that reclamations and other developments were necessary here, but it was widely felt that the cost of such developments should be met by the issue of Government loans.

The resignation in 1921 of Mr. E. A. M. Williams, who had been its Secretary for 13 years, was a great loss to the Chamber. The Secretaryship had been a part-time job for the first 44 years. Then from 1905 the firm of chartered accountants, Messrs. Lowe, Bingham & Matthews, undertook the secretarial duties and management of the Chamber's affairs, along with a number of other secretaryships. In 1921 an assistant secretary was appointed and the subscription was raised to \$200 for firms and \$100 for individuals. In 1924 the Committee decided to employ its staff direct, while retaining Messrs. Lowe, Bingham & Matthews as Treasurers, an office which they still hold.

As increasing pressure was felt in the business centre of the city, the issue of the Military Lands acquired ever rising urgency, and pointed reference was made to this matter in 1923, first by the Chairman of the Hongkong and Shanghai Bank, and then by a leading member of the Chamber, who said that it merited mention at every meeting of the Chamber until a solution had been found. The large reclamation

then in progress on the eastern side of the town, and the removal of Morrison Hill, would, it was argued, make that district of ever-increasing importance. Evidence of this was to be seen in the prices then being paid for land at Quarry Bay. But between the western and the central sections of the town the Military Lands thrust in a wedge bound to become an increasing inconvenience to communication and the proper development of the city. 'It is not easy to understand an official attitude which has persisted in keeping the garrison in its present cramped and insanitary surroundings', said Mr. Adamson, 'when there are so many sites available, far more suitable from a military point of view, and on which the troops could enjoy those facilities for recreation which are denied them at present. I understand that the War Office are the only obstacle to a satisfactory exchange of sites being arranged. We contribute 20 per cent of our revenue to the Imperial Exchequer, but the extraordinary obstinacy of the War Office costs the Colony a vastly larger sum than that'. Owing to the impossibility of expansion in the natural direction, land in the Central District had risen from \$6 to \$50 a square foot during the previous fifteen years, and rents had increased 50 per cent during the same period.

The Chamber had always taken a keen and practical interest in the progress and development of the University of Hong Kong. A sum of \$20,000 annually was subscribed by certain of the members and disbursed in two grants—one of \$8,000 on primary and secondary education at Canton, under the auspices of the Church Missionary Society, and the other of \$12,000 contributed towards the maintenance of a Commercial Course at the University of Hong Kong. There were various other disbursements also for educational purposes including the Hewett Memorial Scholarships.

The Chamber had for some years been represented on the Finance Committee of the University, and it was peculiarly appropriate that the representative at that period should be Mr. G. T. Edkins, whose firm (Butterfield & Swire) had made very handsome contributions to the Faculty of Engineering of the University. Moreover, working in co-operation with the Vice-Chancellor and the Council of the University, the Chamber's Finance Committee had a great deal to do with establishing the finances of the University on a sound basis.

The unsatisfactory condition of the Telephone service came to the fore in 1922. Then, as in the years of expansion after World War II, it failed to cope with the swift growth of business. The Company notified subscribers of a large increase in rates as from July. The Committees of the General and the Chinese Chambers, together with Unofficial Members of the Legislative Council, attended a meeting at which negotiations with the Telephone Company and the modernisation of the system were explained in detail by the Colonial Secretary. A sub-committee of the two Chambers was appointed to examine the

experts' valuations and the proposed new agreement with the Company, whose licence was valid until 1930. The Joint Committee submitted its report in August 1922, the signatories being Messrs. A. R. Lowe, Chow Shou Son, Chau Tsun Nin, and F. R. Marsh. However, the Committee's recommendations were not acceptable to the Company and further discussions took place during 1923/24. These resulted in the Telephone Ordinance of 1925 which transferred the telephone undertaking to a local company whose shares were issued to the public in December of that year.

CHAPTER VII
TROUBLES IN THE TWENTIES

IT was in 1921 that the Colony had its first post-war foretaste of the catastrophic challenges that were to come from the Chinese Labour Union leaders. Strikes occurred that year over wage disputes among mechanics and skilled labour, which advanced wages up to 30 per cent. At the same time strikes were proceeding in Kwangtung Province, leading up to the very serious situation experienced in Hong Kong. A remarkable movement in the labour market, both skilled and unskilled, was recorded, creating difficult labour conditions apparently without any regard to the inevitable increase in living costs from a rise in wages.

The Committee of the Chamber responded energetically to the crisis and appointed a general strike committee, which kept as closely as possible in touch with developments, co-operating with those directly concerned so as to assist in achieving an amicable settlement. But, like all others concerned in the Colony, the Special Committee were seriously handicapped by the fact that the movement was not self-contained in Hong Kong. Strikers left in large bodies for Canton, where various influences, both direct and indirect, hampered a settlement. Co-operation by the British Consul General in Canton, a Canton Foreign Office official, and Sir Robert Ho Tung, with the Hong Kong Government, resulted in an agreement on the main question while the general strike was operating.

At a representative meeting of shipowners in the City Hall on March 8, 1922, Mr. Sutherland, as Chairman of the Hong Kong Shipowners' Conference, laid on the table the signed agreement and explained the final points agreed upon in connection with the settlement of the Chinese seamen's strike. At this meeting a suggestion was made that a Hong Kong Shipowners' Association be formed without delay in the interests of all Shipping Companies operating ships in and out of Hong Kong, to consider and decide upon matters affecting the general interests of owners as a whole and to act in closest co-operation with the General Chamber. The suggestion was approved, and Mr. Sutherland accordingly wrote to the Chamber, which in turn addressed the London Chamber. They advised establishment of contact with the Liverpool and London Shipowners' Associations.

Mr. Sutherland had previously pointed out, at the last meeting of shipowners, that the situation had been successfully combatted by co-operation. Many points would have to be discussed with the Union, and co-operation among shipowners should therefore continue. 'Do not let us disperse and try to answer questions as we understand them individually. As is only human, the Union will try to play off one against

the other. We must have an Association which can be the means of arriving at a considered opinion on all shipping matters. All nationalities should be members of it.' There were already, he said, Insurance Associations, Import and Export Associations, and various other supplementary Associations. The Secretary for Chinese Affairs, confronted with many minor labour issues since the end of the strike, had also urged an Association so that the questions might be handled by a combined body of shipowners.

This searching experience set many of the members thinking, especially on the provision of measures to prevent a recurrence. Mr. Lang cited as a good text, for the Chinese and British alike, the remarks made by H.R.H. the Prince of Wales in the Prince's Pavilion during his recent visit, namely:

'The life of this Colony and its prosperity is interdependent on the British and Chinese dwellers on the island. Bordering on ancient China, with its centuries of history and of experience, Hong Kong forms a meeting-place that should be of mutual advantage to both civilisations. Great Britain has always displayed a lively and unflagging interest in the development of China, and in all that appertains to her prosperity, and your zeal in the promotion of the Colony's welfare, combined with the cordial friendship that has always existed between the races in Hong Kong augurs well for its future advancement.'

Another matter that caused much perturbation was the increase of crime in the Colony, which corresponded with the unsettled conditions in the neighbouring provinces of China. Pilferage of cargo, especially during loading and unloading in transit, continued to be a vexed issue despite additional patrol services.

The post-war slump began to show signs of yielding in 1922. The Government continued to receive handsome returns from the sale of land as well as from the constantly increasing revenues of the Colony. It had been possible to carry out big road-making schemes and development generally, and still to leave a surplus, which led the Chairman of the Chamber, at the annual meeting on March 29, 1923, to suggest that the longed-for trade revival, which had been slow in coming, might be accelerated by a reduction in taxation. (There was no direct taxation at that time.) But typhoons in 1922 at Swatow and in 1923 in Hong Kong—the latter being the worst experienced since 1906—the appalling earthquake in Japan, and a veritable epidemic of piracies, competed with the wide-ranging constructive proposals that came up in the first post-war decade, while over all hung the growing unrest and disorder on the mainland, all the way from Canton to Mukden, and from Szechuan to Shantung.

But worse was to come, with the Canton and Swatow boycott of Hong Kong, British Shipping, and British Trade, in 1925. Events of that year were without precedent in the history of the Colony. The Chamber's

Annual Report covering this year carried a lengthy exposé of over 5,000 words on the crisis, mainly for the members' trading associates abroad, which adequately described the political and revolutionary disorders which lay at the back of the boycott of Hong Kong.

It depicted the growth of the student movement and of Soviet influence, the impotence of the Peking Government and the rising ambitions of the Nationalist regime in Canton, the growing anarchy in the interior provinces where banditry was as rife as piracy had been on the seas, and the nationwide agitation following the May 30 incident in Shanghai. This arose out of strikes and agitations fomented in Japanese cotton mills there, where an atmosphere of perpetual tension was set up by the agitators. After many clashes and strikes an armed mob came into collision with the Japanese, who fired in self-defence, inflicting seven casualties.

The organisers of the disorders and the students held protest meetings, and one of these groups of demonstrators, by then attacking all the Treaty Powers, on May 30 marched on the Louza Road Police Station to which three arrested students had been taken. Police warnings failed to have any effect and the Police Inspector in charge finally ordered his squad to open fire. Four Chinese were killed outright and a number wounded, five of them fatally. With extraordinary rapidity a campaign of hate spread through the coast ports.

In Canton on the afternoon of June 23, soldiers, intermingled with a long procession of students and workers, opened fire across a narrow canal at the island which formed the British and French Concessions at Shameen. The defenders returned the fire, and there were casualties on both sides. During the morning inflammatory leaflets were distributed in the Chinese city calling upon all and sundry to rise against the foreigners and drive them out of Shameen. Machine-guns used by the Chinese were in position on the tops of houses opposite Shameen the day before the incident took place, and observers were said to have counted as many as 150 bullet marks on a single building.

The necessary atmosphere had been created for conducting the newly-established Government on Bolshevist revolutionary lines, and at the same time the so-called strike, which was merely an organised withdrawal of all workers for political purposes, which had begun between the Shanghai and Shameen affairs, became more acute. Intimidation was rife and the Bolshevist agitators and advisers brought the new techniques they had used against the 'White' counter-revolutionaries in Russia into play. Ships' crews were withdrawn on June 19; on June 21 all Chinese employed by foreigners on Shameen ceased work, as they did later in Hong Kong. Regulations were promulgated by the 'All-China General Labour Union' and the 'Canton-HongKong Strike Committee' governing trade in Canton, expressly forbidding all buying or selling from or to the British.

The new Government in Canton claimed, according to statements in the Canton papers, that they were in no wise responsible for the strike regulations.

British steamers plying between Hong Kong and Canton, which varied between 240 and 160 monthly in 1924, dropped to a minimum of two, and most of them were run at a loss and without cargo; in the latter half of 1924, 681 British steamers entered the port of Swatow; for the same period in 1925 there were 78, and even these were prevented by boycott pickets from loading and unloading cargo.

The trade from Canton to ports overseas was for some time at a standstill, until Chinese and other non-British lines accepted the boycott pickets' terms and sent ships to Canton without touching at Hong Kong or Macao. They had to pay heavy fees to the boycott pickets.

Goods in Hong Kong godowns, after the cases had been defaced of all marks linking them with Hong Kong, were conveyed 800 miles northward to Shanghai and then shipped south again to Canton. The same thing happened even to goods in Shameen, and the populace had to pay for it all, in rising costs for all necessities. The price of flour went up 45 per cent and other foreign goods rose between 100 and 200 per cent. The valuable silk trade was diverted from Hong Kong to Shanghai or carried in direct shipments in non-British ocean steamers from Canton, and the damage sustained to these cargoes threatened to deprive Canton of this trade altogether.

Meanwhile the boycott pickets were a law unto themselves and were even permitted to arm their own activists and set up their own tribunals and prisons. As a Crown Colony and not a Sovereign State, Hong Kong could not act in its own defence, though everything possible was done to minimise the harm done to the community, and the Government, in co-operation with the Chamber, sought a solution in any direction open to them. But their efforts were unavailing. The first check the boycott pickets received came on February 22, 1926, from the Chinese Maritime Customs, which closed the port of Canton on that date as a measure of defence of the Customs revenues, endangered when the pickets over-reached themselves, but re-opened it when the pickets returned the cargo which they had taken charge of before it had passed through the Customs.

This boycott continued during the greater part of 1926, and, although negotiations were opened up between the Hong Kong Government and the Authorities in Canton, there was no improvement in the situation until September. On the 18th of that month the Canton Government, through Mr. Eugene Chen, informed H.B.M. Consul-General that arrangements had been made to terminate the boycott of British goods on October 10, and that an extra tax of 2½ per cent would be levied on all foreign imports. On October 9 a formal announcement was made that the boycott would be lifted next day.

Thenceforward trade began to be resumed and although there were many difficulties to be contended with, these were gradually overcome. By the close of the year a fair volume of trade was being carried on between the two ports. The losses sustained by merchants both in Canton and Hong Kong during the strike and boycott, which had lasted for sixteen months, were very great, and this fact, combined with the sense of insecurity in the neighbouring provinces due to civil war, piracy, banditry, heavy taxation and the lawless activities of uncontrolled labour unions, indicated that it would be a long time before trade in South China returned to its normal state.

With the seizure by a mob of the Concession at Hankow, and the negotiations between Mr. O'Malley, representing the British Government, and Mr. Eugene Chen, representing the Nationalist Government, relating to the conditions under which the Concession was to be governed in future, the political situation entered upon a new phase, the outcome of which it was difficult to foresee. The Chamber's Annual Report recorded the sense of relief which came to foreign residents in China at the decision in 1927 of the Powers interested in the International Settlement at Shanghai to concentrate a Defence Force there, lest there be a repetition of the events which occurred at Hankow, or an outbreak of disorder in the Settlement through the assembling there of fugitives from contending Chinese Armies.

The Chamber had for many years agitated for more adequate warnings of typhoons. The essentials sought included better wireless communication, closer co-operation by ships in storm areas and correct and timely announcements by the Observatory. Although a great many improvements had been made since the early days when typhoons hit the Colony completely unheralded, a disaster in August 1922 showed that much remained to be done. This was the loss of the s.s. *Choysang* near Swatow, following which Mr. Sutherland made an investigation and reported to the Chamber.

It transpired that the *Choysang* had left Hong Kong after the Observatory hoisted a signal indicating that the typhoon was well to the East and moving North. Within 24 hours the typhoon had in fact travelled North-West and reached Swatow where it drove the *Choysang* ashore. The Siccawei (Shanghai) weather station had plotted the typhoon's course and position correctly, but this information was not available in Hong Kong.

Reporting to the Chamber, Mr. Sutherland commented that, as far as Hong Kong was concerned, it was not just a question of further improvement, but the setting up of a system of the highest efficiency that was needed. As a step towards this he recommended establishing an observing station on the Pratas Shoal. The idea was not new, but had never been strongly pressed owing to the difficulty of obtaining the necessary rights from China who owned the island where the apparatus

could be erected. The Chamber urged Government to reconsider this possibility and also to arrange for Siccawei warnings to be broadcast at the same time as Hong Kong warnings.

After the Swatow typhoon the Chamber's repeated representations about proper warnings bore fruit in several ways. The Inspector-General of Customs in Peking indicated in 1924 that the Chinese Government proposed to set up a meteorological and wireless station on the Pratas Shoal, and both Manila and Siccawei weather reports were being broadcast by Cape D'Aguilar immediately on receipt. Weather reports from ships within call of that station were also increasing, 'due, no doubt, to the action taken by the Chamber in the matter', as Government noted, the reference being to the circular the Chamber issued to Masters of vessels and to Shipping Companies emphasising that reports from ships formed an indispensable link in the improvement of the storm warning service. The Government also arranged for the transmission of weather reports during typhoon periods, direct from the Observatory through D'Aguilar by remote control.

In 1925 the Chamber continued to press for improved wireless communication to enable contact with stations within a 500 mile radius, with medium distance stations such as Singapore, Shanghai, and Manila, and with long distance stations. The Chamber noted with congratulations a report from the wireless operator on the *Kutsang* that during a voyage to Singapore he maintained rapid and satisfactory communication with D'Aguilar at a maximum distance of about 1,000 miles.

A misfortune of a personal order came toward the close of a sombre chapter in the history of the Colony and of British trade. By the death of Mr. P. H. Holyoak the General Committee of the Chamber lost a highly valued colleague and the business community a most able and public-spirited representative. Mr. Holyoak served with marked ability on the Legislative Council, from December 1915 until April 1926. The strain of the work in the last few years was exceptionally heavy and Mr. Holyoak may truly be said to have died in harness.

As the Governor said in paying tribute to him in Council in May, 1926, 'The Colony and especially the mercantile community owe Mr. Holyoak a deep debt of gratitude for his services during a difficult period of stress and strain; and we all mourn his death both as a personal and public loss and also as being in a measure a sacrifice due to unremitting labour for the good of Hong Kong.'

Meanwhile piracies continued on a startling scale, both piracies from within, in which the pirates went aboard as passengers, and piracies from without, in which pirates in small craft preyed upon junks, towed launches, fishing boats and other vessels.

The Chamber's Report for 1926 carried a list of steamers and other craft which had been pirated and taken to Bias Bay in the preceding years, the most notable recent attacks being those on the *Sunning* in

November 1926 and on the *Hopsang* in March 1927. These outrages had deeply angered public opinion, not merely because of the brutality that so often attended them, but because it was felt to be a positive humiliation that such things could happen in the vicinity of Twentieth Century Hong Kong. Piracies still occurred at intervals but the back of the evil had been broken with the prompt despatch of a Naval expedition to Bias Bay following the *Hopsang* incident.

The Report of the Committee appointed by Government to go into the *Sunning* piracy was released in the latter part of April 1927, and, in his speech at the Chamber's meeting, the Governor, Sir Cecil Clementi, declared H.M.G.'s determination to stamp out the piracy evil. 'Over and over again we have offered the Chinese authorities full naval and military co-operation for this purpose. They have, however, rejected these offers of help and they have done nothing whatever themselves, but have been scandalously forgetful of the first duty of any civilised and self-respecting Government, namely the suppression of piracy and brigandage and the maintenance of law and order.'

NEW BRITISH POLICY IN CHINA

THE effect of the boycott on the trade of Hong Kong in 1926 was indicated by the number and tonnage of vessels entered and cleared in that year compared with 1924, the last complete year before the boycott was instituted. In 1924 there were 57,765 vessels representing 38,770,499 tons, and in 1926 only 30,231 with a tonnage of 28,371,104.

The Chairman (the Hon. D. G. M. Bernard) said at the annual meeting: 'We have indeed been passing through a very difficult and trying time for nearly two years but we have been able successfully to survive the attempt to damage and destroy the trade of Hong Kong which has been built up over a long term of years. Losses have been heavy, certainly, but I am optimistic enough to believe that already we have weathered the storm and are on the way to better times. The prosperity of Hong Kong has rested in great measure upon confidence in the security that British Government has been able to offer to our citizens, their trade and investments. It has now been demonstrated that we can withstand the severest attack that could be made by employment of the so-called 'invincible' economic weapon and it has proved to be of no avail against us. Moreover, the British Government has stated that it has no intention to give back the Colony to China. These two facts will greatly increase the sense of security which Hong Kong can give. It is therefore safe to view the future with confidence and look forward to an era of development and prosperity such as we have not yet approached.'

The Governor echoed the hopeful outlook of the Chairman, and took the opportunity of expressing publicly his admiration of 'the dogged determination with which the mercantile community of Hong Kong has continued to do 'business as usual' in spite of the discouraging and even alarming situation in which, for no fault of ours, we find ourselves placed. Neither strikes, nor boycotts, nor armed pickets, nor bandits, nor pirates, nor civil war have deterred British or Chinese merchants in this Colony from maintaining their trade with Canton and the other principal centres of commerce in China. Under the bludgeoning of fate you have suffered, but you are unbowed and, what is more, you will certainly win through to eventual success; for your aims are precisely those of the great mass of the Chinese people—safe and normal trading conditions.'

Important conciliatory pronouncements by H.B.M. Government at the end of 1926, regarding policy in China—balanced by the despatch of the powerful Shaforce to Shanghai—encouraged the moderates and

deterred the Communists in China. They referred to (1) the allocation of the funds of the China Indemnity (some £11 m.) for investment, agricultural education, scientific research, medicine and public health and other educational purposes, and administration thereof by a Board of Trustees of six Chinese and five British; (2) a Memorandum to the Powers on a new policy in China, including a joint declaration on the revision of treaties; and (3) the text of British proposals on Extraterritoriality and taxation. In Birmingham on January 29, 1927, the Foreign Secretary (Sir Austen Chamberlain) delivered a very conciliatory speech on British policy in China, in which he recalled his speech in 1925 advocating that Britain should meet China half-way.

The documentary history of this phase was preceded by the address of the Governor in the Legislative Council on October 15, 1926, on the announcement of the termination of the boycott of Hong Kong by Canton, in which he stressed the Colony's ardent desire to see law and order re-established, if possible in China as a whole, but at least in the Liang Kwang provinces, where there had been more than enough strife and bloodshed since the fall of the Manchus; the desire to see Bolshevism removed from China, the end of civil war, and the constructive development of Kwangtung. 'We are very close neighbours of Canton. We wish also to be very close friends', he declared in a speech which ended on a highly personal note in which he referred to his very sincere affection and esteem for the Cantonese, shared as it was by his colleagues in the Council.

There was an intermission of optimism over the China situation in the latter part of 1927, for few were able to descry the consequences that were to follow the fugitive disintegration of the Communists in China. As violence moved toward the North, Canton and Hong Kong began to resume their old friendship. It was dramatically symbolised by the interchange of visits between Marshal Li Chai-sum, head of the Government in Canton, and Sir Cecil Clementi. This was supplemented by a visit to Canton by the British Minister, Sir Miles Lampson.

The improvement of trade noted at the end of 1926 gathered momentum during 1927. Trade statistics were still unavailable, despite the constant pressure of the Chamber, but the figures of the godown companies and of the tonnage of ships engaged in foreign trade indicated clearly that a definite recovery had been effected. Shipping tonnage, for example, increased by 8½ million tons.

Measures to bring the Hong Kong ocean-going passenger certificate into line with the equivalent certificate of the Board of Trade also occupied much attention. The question of obtaining recognition had been under review for years but the matter did not come to a head until the owners of the two ships, *Changte* and *Taiping*, being completed at the Hongkong and Whampoa Dock, discovered that the existing Hong Kong certificate was not recognised by the Australian Government.

At the annual meeting of the Chamber on April 24, 1928, the Chairman referred to the 'complete and agreeable change' in the relations with China. General business conditions, too, showed a marked improvement, in spite of many vicissitudes. Improved relations led to a reopening of trade in Hankow and to the withdrawal of a large part of the Defence Force from Shanghai. Much more, however, remained to be done before a period of peaceful and prosperous trading could be expected.

The Governor dwelt on the revival of trade and confidence but warned that there were obvious dangers still and that Communism remained a serious menace. The future called for an increasing and skilful use of the apparatus for social progress which had already been organised all over the world by the co-operation of labour, commerce and finance. He stressed the value to the British merchant trading in China of a knowledge of the language and the need for breaking down social barriers.

The year 1929 was marked by several important steps in the direction of the solidification and unification of China and her relations with the Powers.

There was an air of hope all round, despite the dissensions among the major military factions of the Kuomintang which were soon to blast so many hopes and plunge China into the worst civil war of the Republic so far. China had been granted Tariff Autonomy and many Commercial Treaties had been revised. But many loans were in default and China's credit was at a low ebb. In the South recovery was rapid and travel was safer than for years. Anti-piracy measures enabled towboats and launches to ply once more without armed guards in the Delta. Trade was still moderate, in view of depleted buying power, but there was a big offtake of accumulated piece goods before heavier duties were imposed.

H.R.H. the Duke of Connaught passed through on his way to Japan to present the Order of the Garter to H.I.M. the Emperor of Japan, and the Chamber and China Association entertained H.R.H. to a banquet at the Peninsula Hotel on April 26.

When the Salaries Commission submitted their report in 1929, and the Government sent it to the Chamber for their views, an exchange rate of about 1s 9d to the dollar seemed likely. But a further decline caused the Committee to withhold for the moment their comments. Sterling exchange compensation for employees of local firms, the Chairman suggested, was not a subject on which the Chamber could express an opinion. Decision must be left to individual action as circumstances differed greatly. The depreciation of the dollar greatly affected the trading community, and the continued importation of silver dollars was regarded by the Committee with concern. The Chamber hailed the decision of the Government to appoint a local Committee of Enquiry into the currency and connected problems.

Another cause for gratification was the re-institution by Government of the Statistical Department.

As money conditions became extremely easy in 1929, a tendency developed to divert a great portion of the funds normally used in trading and other transactions into the share market. The Chairman, Mr. B. D. F. Beith, while not at all opposing honest investment in local shares, sounded a note of warning. There was, he said, a vast difference between investment and speculation. Recent events in relation to the New York share market were well known and locally there was the experience of 1925 to remember.

The fall in silver and in the value of the Hong Kong dollar together with the world-wide depression, continued to be the principal anxieties of the local business community during 1930. Chinese buyers were deterred from entering into fresh commitments, but, as stocks became exhausted and exchange became steady at 1s 3d. or 1s 4d., trading was renewed and considerable business was put through.

Lower prices of raw materials and keen competition among suppliers of cotton goods and metals led to a reduction in prices which largely offset the drop in exchange. The advantage which the fall in the value of silver currency was expected to give to exports did not in fact accrue, because of the depression abroad.

In 1930 the Chamber undertook to co-operate with Government in forming a Committee 'to report on the possibility of increasing facilities for practical technical education and the feasibility of establishing a Trade School'. As a result of the Committee's report, provision was made in the following year's estimates for opening a Junior Trade School. This was designed to educate boys who would later be apprenticed to some constructive trade and to provide evening instruction for apprentices already at work.

On behalf of Lord Beaverbrook, the Hon. Sir James Parr asked for the views of the Chamber on the subject of Empire Free Trade. The Chamber said imposition of duties on all non-Empire goods would merely divert this trade to other ports in China.

In the Budget for 1931 new taxation on shipping, in the shape of an increase in Light Dues on ocean-going vessels, aroused protests from the shipping concerns, and the Chairman of the Chamber argued in the Legislative Council that the taxes were wrong in principle, though Government held that the additional amount, spread over the large number of ships affected, would mean a very small average increase.

The report of the British Economic Mission to the Far East, which visited Hong Kong in February 1931, induced Lancashire to realise that it would have to come into line with its competitors regarding price if it wished to retain a share of the China market—a necessity pressed upon it for a long time by the Chamber.

HONG KONG'S CURRENCY PROBLEMS

THE remarkable nature and variety of the currency which came to circulate in Hong Kong posed a problem for Government, the Chamber and the Banks which became a constant preoccupation until finally a managed currency was virtually imposed on the Colony by China's flight from the silver standard in 1935. No sooner had the Chamber been formed than a Special Committee was appointed to confer with the Governor, in June 1862, on the introduction of a new system of coinage in the Colony. The coinage then in circulation consisted of the Carolus or Spanish dollar, the Mexican dollar, Indian rupees, English sovereigns, and smaller coinage, Chinese broken silver and Chinese cash. The old currency proclamation of 1844 gave equal legal tender to dollars and English and Indian gold and silver coins. However the growth of trade and population and the fact that the Chinese used the silver dollar exclusively made the proclamation virtually a dead letter. The monetary unit for commercial accounting was the dollar and nearly all Government revenue was received in that currency, normally at the rate of 4s. 2d. to the dollar. There was no Chinese coin between the silver dollar (usually accepted by weight, broken or whole) and the copper cash valued at 1,200 to the dollar.

Among various remedies, the Governor, Sir Hercules Robinson, proposed the coining of copper cash by the British Government, the introduction of two new coins, a bronze cent piece and a silver ten-cent piece, and the recognition of the Spanish and Mexican silver dollar as legal tender. He also suggested that government accounts should be kept in dollars. This last proposal was agreed to by the home government and the reform was introduced in 1862. In view of the relatively high cost of minting and transporting low value coins, the Treasury eventually agreed to the Governor's later proposal to set up a mint in Hong Kong, the coins meanwhile to be supplied by the London Mint. The Hong Kong Mint was established in April 1866 but had to be closed down two years later. The plant was sold to the Japanese Government who used it to establish their first mint at Osaka.

In December 1865 a letter was received from the Shanghai Chamber of Commerce pointing out that the value of the Hong Kong dollar, which was then freely used by the Chinese, might be much depreciated, bearing as it did the head of the sovereign which would necessitate a new coin at each subsequent succession, and suggesting that Hong Kong should devise a remedy. As it eventually proved, long before the death of Queen Victoria, the Hong Kong dollar had almost disappeared and the new trade dollar with 'Britannia' instead of the Queen's effigy had

taken its place. In view of the opinion given by the Shanghai Chamber, it is worth recording here an incident which occurred, some forty years later, to Mr. Hewett, the Chamber's Chairman at that time. While passing through Swatow, he had occasion to pay a sampan man for taking him off to his steamer. He tendered one of the newly arrived Hong Kong subsidiary coins bearing the head of King Edward VII. The man, who spoke English quite well, refused to accept it saying it was 'No damgood' and asserting it was 'x x x' money. (Mr. Hewett suppressed the name of the supposed country of origin as the word was obviously used as a term of contempt and to signify bad money.) Mr. Hewett attempted to make the man understand that the coin was good British money, but without avail, and in the end had to obtain a coin bearing Queen Victoria's effigy, which was promptly accepted.

The currency issue was further complicated by the habit of 'chopping' the dollar whereby each Chinese firm through whose hands the coin passed punched their mark upon it. This altered both the shape and content of the coin, which came to resemble a shallow cup, while the minting was disfigured beyond recognition. Often a hole might eventually be worn in the middle of the coin.

The Straits authorities suggested that the silver question might be tackled to produce stability in exchange, and also that a common coinage for both areas might be minted. It was argued that Hong Kong could never 'go gold' while China remained on the silver standard, and it was this more than anything else that delayed the final solution for so many decades.

The local branch of the Oriental Bank, first established here in 1845, was permitted to issue notes in 1853. The issue rose from a mere \$54,000 in that year to nearly \$343,000 by the end of 1857. By then the Chartered Mercantile Bank had opened, while a few years later two other banks followed. In the summer of 1864 The Hongkong and Shanghai Banking Corporation was founded at the instance of the merchants of the Colony. They had been considering this step for some time in view of the increasing trade with China and Japan and the existing banks' preoccupation with exchange business.

The Mint issue lay fallow until 1876, when the Shanghai Chamber decided to send a Memorial to the Ministers of the Treaty Powers advocating the establishment of a Chinese Government Mint and a fixed Standard of Value. Before doing so, the views of the Hong Kong Chamber and merchants were sought on the type of coins most suitable, and whether the proposed currency should be for the whole country or be restricted to places open to foreign trade.

An animated discussion ensued in the public meeting summoned by the Chamber in the City Hall on November 2, 1876. Views were most sceptical. Members did not think the Chinese Government would adopt such an idea on the suggestion of foreigners nor on the lines laid down. It would in any case be a very risky operation, since the coinage would

almost certainly be debased from the first, though fineness and standard value of the coin were indispensable. It was pointed out that the Chinese had even debased the copper cash. It was further suggested that the Mint would be made the means of replenishing the exhausted resources of every bankrupt provincial treasury in the Empire, just as it was formerly in India.

The idea of introducing a British dollar was again considered when it was revealed at this meeting that active measures were being taken by the Straits Settlements to induce the Government to coin dollars. It was argued that the British interests in those parts were very considerable and that such a dollar would be a success in the greater part of the Straits and China.

It was assumed that the growing production of silver in the U.S. and the constant stream of emigration would cause the beautifully minted trade dollar to take an important place in the coinage of China. Imperial edicts had been widely circulated from time to time asserting the genuineness and purity of the various kinds of dollars, the exact value and character of which, from the oldest Carolus and Bolivian down to the Hong Kong and the trade dollars, were perfectly well known. The Chinese generally regarded a clean, unchopped Mexican dollar with the same confidence as the British did a sovereign.

Another argument in favour of the dollar was the similarity of value of the Japanese yen. It was thought that with the opening up of China the country would need all the coin she could get, and that the yen would probably go largely into circulation in China, as the Mexican dollar did in Japan.

The silver dollar was in fact widely used throughout the East but some disapproved of it on account of the fluctuations of silver in relation to gold. On the other hand it was contended that the closing of the Hong Kong Mint had been an error, since the Mint Master had said that he could run the Mint out of the profit on the subsidiary coin alone, for which there seemed a constant demand by the Chinese. The amounts received from England from time to time were at once absorbed, and in 1876 they were actually at a premium on Bank notes. It was suggested that, if the Hong Kong Government were unwilling to re-establish the Mint here, a company might be formed to work it under a concession.

The discussion was inconclusive and the Hong Kong Chamber was reluctant to offer any positive recommendations to the Shanghai Chamber. The following year, in 1877, the Chamber did suggest making the American trade dollar legal tender until such time as a British dollar could be coined by the Royal Mint or in a new mint in Hong Kong. At the same time the Governor, Sir John Pope Hennessy, favoured making the Japanese Yen legal tender as trade with Japan had increased so much since Japanese steamers started to call regularly at Hong Kong, but the British Government would not agree.

In 1890 large amounts of subsidiary coins were imported from England. Although the Bank notes helped to ease the situation, the great fall in the value of the dollar, from 3s. 8½d. in 1883 to less than 2s. in 1898, called for far greater numbers in circulation. The shortage was aggravated by the expansion of population. Mexican dollars were still in circulation, but a British dollar, minted in England, was recommended by a Currency Committee in 1894 and was introduced the following year. Depreciation of the dollar gave added impetus to local industries and manufactures, most of them associated with shipping, and as early as 1894 Government was advocating increased industrialisation so that the Colony should not be so dependent on its entrepôt trade.

Currency continued to be a problem from time to time during the ensuing thirty years, but it was not until 1931 that a new Currency Commission was appointed by the Secretary of State. Its chief recommendations were that Hong Kong should remain on the silver standard so long as China did; that all banknotes should be convertible into silver bullion and made unlimited tender; and that supervision of the issue of notes and the reserve of silver bullion should be undertaken by a Hong Kong Currency Board.

The Chamber agreed with the Commission that Hong Kong should remain on the silver standard since the Colony was so closely linked in trade with China, but considered that Government control of the currency was undesirable in view of the fact that China was estimated to hold two-thirds of the total Hong Kong note issue.

In 1934 purchases of silver by the United States raised its value and resulted in the export of silver bullion, which in turn forced China off the silver standard in the following year. Hong Kong was obliged to follow and all silver coins were called in.

There ensued the Currency Ordinance of 1935 which had far-reaching effects. For the first time the Colony's currency was not linked to that of China, and Hong Kong was instead given a managed currency linked to sterling. The note issue was backed by bullion, foreign exchange and sterling securities, and the value of the dollar stabilised at about 1s. 3d. Additional notes were issued and cupro-nickel coins replaced silver. The Government took over the issue of one-dollar notes and the three issuing banks (The Hongkong and Shanghai Banking Corporation, the Chartered Bank and the Mercantile Bank) were restricted to denominations of ten dollars and higher. This severance from China, as Endacott said in his *History of Hong Kong*, was 'a decisive break with the past, but the advantages of a stable currency were to prove themselves beyond doubt'. The traditional link could never have been maintained during the years of inflation in China which followed.

CRISES IN PIECE GOODS

THE great Piece Goods crisis of the early years after the first World War created economic and financial disorder in Hong Kong and along the whole China coast. At the end of the war, while many wartime controls still remained, the silver dollar, like other commodities, rose steeply and at its maximum the Chinese tael was worth 10s. At the same time the markets were starved of goods. Even among the more reputable and firmly established piece goods dealers many signed contracts for immense amounts of cotton goods of every variety. It so happened that the position in Hong Kong was additionally complicated by the part German importers had played in the piece goodstrade before the war, especially the special credit terms they allowed.

When the crisis broke in Tientsin in 1919/20, for instance, an independent person was required to gather details of the dealers' commitments and to act as Secretary to the Piece Goods Association formed for the settlement of the crisis. It was found that old-established piece goods dealers, who had formed intimate links with a particular firm of foreign importers and had done most of their business with that connection, had been affected by the gambling mania and had booked orders with many other importers as well. Deliveries piled up in the godowns and contracts were repudiated as the silver dollar fell rapidly, at first to half the maximum value, and later by half again.

In China, where action against Chinese would have had to go to the Chinese courts, legal redress was far less ready than in a British Colony like Hong Kong, but in any case this course of action was repugnant to both parties. The importer with long connections was only too willing to help the dealers over the stile, and even in the case of the 'fly-by-nights' little or nothing was to be gained by going to Court. So it became a matter of negotiation and adjustment, and in most instances importer and dealer helped each other out by patience, compromise and skilful business sense.

An immense amount of discussion and negotiation followed the difficulties in the early post-war years, with the object of devising a standard Piece Goods Contract. Inevitably, there were differences of view between the importers and dealers which were ultimately debated on the Chamber and Guild level. A standard form of contract with Manchester and Bradford also formed the subject of important negotiations.

All the Chambers from Singapore to Harbin were interested in this topic and the correspondence was extensive. Every clause was considered and reconsidered, negotiated and re-negotiated, and almost always in

the light of the salutary, and sometimes grievous, experiences to which those participating in the business had been subjected. It was universally desired to restore order to what was at that time one of the staple bases of international trade. In the end standard contracts were negotiated acceptable to all concerned and the business was placed upon a more stable foundation than ever before.

However, difficulties again arose following the strike and boycott in 1925. The Chinese Piece Goods Guild wrote to the Chamber on April 20, suggesting that, as a result of the continued depression and political unrest, the time for delivery be extended; that delivery orders be not held up to enforce clearance of unseasonable cargo; that all charges of interest for goods arriving in 1924 be waived, if delivery was effected in the Autumn; that the time limit for taking delivery of goods which arrived in 1925 should be extended by a further period of six months, making ten months in all; and that interest should begin only after this time, at a rate lower than usual.

The Chamber sent a conciliatory reply, but held that the position was by no means unprecedented nor were the stocks so heavy as to be unmanageable. In view of the fact that comparatively little had been ordered for the ensuing seasons, and that, far from any slump in prices, replacement costs were in most instances on a higher level, the Committee viewed the future with confidence.

The Chamber undertook to circularise all signatories to the Piece Goods Trading Agreement requesting them to exercise every possible leniency towards dealers in the matter of clearance, consistent with the terms of contract; and also to address the foreign banks urging them not to press merchants unduly for payment at due date, but to facilitate as far as possible the extension of bills; and further to approach Chinese banks pointing out the danger of fostering speculation at the expense of merchant trade, and requesting them not to exert undue pressure upon dealers but to endeavour to reduce their rates of interest to normal.

Having regard to the fact that the merchants and importers had to carry all overdue cargo at great expense, and that it was quite customary for banks to demand margins on renewal or extension of bills, the Committee was unable to recommend that all interest and charges on goods arriving in 1924/5 be waived.

The Guild wrote, on May 2, thanking the Chamber heartily for the effort to co-operate in ameliorating the piece goods situation. Nevertheless, the Guild thought the importance of some of the factors militating against the piece goods trade had not been sufficiently envisaged; particularly the depreciated currency of China, the effect of the political strife upon transportation, and the difficulty of marketing fancy goods because of the frequent changes of fashion.

The position became aggravated later and further correspondence ensued, in which it was alleged that many foreign importers were still holding up delivery orders, either for the purpose of pressing payment of all interest up to date, or in most cases enforcing clearance of other overdue cargoes in contravention of the Chamber's recommendation. The Guild also asked that importers be recommended not to charge any interest for the strike period, and allow reductions for overdue periods.

The Chamber pointed out that importers, like the dealers, were suffering hardships and difficulties and hoped that both would continue a policy of mutual consideration which the unfortunate situation demanded, and that an early cessation of the boycott would quickly bring about an improvement in trade and a return to normal conditions.

Gradual liquidation of stocks, and little new business, were the main features of the piece goods trade during 1926. In April the Piece Goods Sub-Committee considered the position arising from the decision of certain large importers of piece goods to grant loans at reduced interest, under certain conditions and provided adequate margins were obtainable. The Chamber issued a circular to all signatories of the Piece Goods Agreement setting forth the terms under which loans might be granted without breach of the agreement.

On June 18, the Chinese Piece Goods Guild put forward a proposal, similar to that in 1922, for a new Standard Contract based on ordering for arrival instead of for shipment, a lower rate of interest after the free storage period, and making clearance contingent on political conditions in the interior of China. The Chamber held these terms were unacceptable and the matter was dropped. Nevertheless in December importers were permitted to waive a portion of the interest charges if they considered it warranted.

DEPRESSION AND DISASTERS ABROAD

THE fall of silver was checked in February 1931, after the record low price of one shilling per ounce had been reached. Low world prices, however, enabled merchants to quote any lines in dollars at rates little higher than in previous years. A fair volume of business was done with China through Hong Kong, although the trade of the country as a whole was seriously affected by the vast floods in the Yangtse Valley which spread ruinous loss over a great area. Banditry, too, was rife in many parts of China, and the Sino-Japanese dispute in the autumn, which produced the Mukden Incident of September 18, led to the occupation of the whole of the North-Eastern Provinces and the disruption of normal trade.

Great Britain's departure from the gold standard and the consequent fall in the value of sterling, together with the anti-Japanese trade boycott in China, brought about abnormal trading conditions in the last quarter of 1931. There was a striking increase in the export of Manchester cotton goods to China, but the exchange factor began to be neutralised as other countries departed from the gold standard.

As higher import duties were adversely affecting factories here whose markets were chiefly in China, the Chamber suggested to the Government on May 28 that, in view of the Chinese capital and labour involved, Hong Kong's claim to special consideration should be borne in mind in negotiating any new Commercial Treaty between Britain and China.

A Harbour Advisory Committee with more flexible powers replaced the Advisory Board, and the constant advocacy of the Chamber for a vehicular ferry service began to bear fruit when the Government began preparations in 1931 for this purpose.

Following representations by members, the Chamber addressed the Government on the subject of the Canadian Customs Tariff, pointing out that Hong Kong was one of the few Colonies excluded from the Canadian British Preferential Tariff. While admitting that only a proportion of Hong Kong's exports to Canada came within the 50 per cent requirement, the Chamber submitted that such products as ginger, rattan furniture, footwear and rope were already finding a market in Canada and that demand would be stimulated by the extension of preferential rates of duty. The Chamber offered to investigate any claims to preference to ensure against abuse in favour of Chinese goods exported via Hong Kong.

There was a further contraction of world trade in 1932, the fall in gold values amounting to 33 per cent, which came on top of the serious declines by 28 per cent and 19 per cent respectively in the two preceding years. The index numbers of all commodities had dropped to practically the pre-war figure.

The export trade was further hampered by increased tariffs, embargoes and restriction of exchange facilities. No fewer than 36 countries imposed exchange restrictions, and often the difficulty of collecting payment prevented acceptance of business.

In China the ill effects of the world depression had been accentuated by the Manchurian situation and the fighting in Shanghai. Higher tariffs restricted trade and led to an increase of smuggling. The picture was not without hope, however, for improved transport facilities were opening up many areas in China, industrialisation was growing, and with it marked development of the cities. In addition the Communists had withdrawn from large fertile areas into the borderland mountain ranges. Adoption of a protective tariff in the U.K. hindered the China export trade. On the other hand, Imperial Preference for Hong Kong manufactured articles, which was introduced as a result of the Ottawa Agreement, had afforded some local assistance.

Before the Ottawa Conference the special position of Hong Kong in relation to proposals for Imperial Preference had formed the subject of extensive correspondence between the Chamber and the Colonial Government during the first half of 1932. The Chamber was asked to consider whether there were any preferences in any Dominion market which would be of real value to the Colony and would be likely to foster inter-imperial trade. It was also requested to indicate those commodities for which Hong Kong might reasonably seek preference under the United Kingdom Import Duty Act, 1932, and from which Dominions or Colonies concessions might be sought, together with the nature of the particular concession required in each case.

In its reply the Chamber listed twenty-four commodities which might be accorded preference for import into the United Kingdom, and explained that in most cases claim to Imperial Preference would be based on addition to the value of the goods of the cost of labour in Hong Kong. It was pointed out that apparently no Chamber of Commerce or Government certificate was required in support of signed declarations of 25 per cent British interest required under the U.K. Act. Since most industries in Hong Kong were duplicated in China, the Chamber suggested that, to prevent abuse, Hong Kong manufacturers should submit their books to qualified accountants and that the Government or the Chamber might endorse declarations to the effect that figures in support of the claim to preference had been produced to them.

The Chamber recommended that preferential treatment be requested from all the Dominions and Colonies for all locally manufactured goods which could show the required percentage of British content. Although some of these goods were not yet exported to the Commonwealth, it was submitted that a preferential scale of duties might enable them to compete with similar goods imported from non-Commonwealth sources.

Considerable correspondence also took place with Government on the scale of Light Dues payable by ships entering Hong Kong Harbour, the

Chamber suggesting that existing conditions warranted a reduction and the introduction of the system of a compounded fee to cover the calls of regular traders over an extended period, as was done elsewhere. The Government did not agree with either proposal, but after further direct and indirect representations in the Legislative Council, a notification in the *Gazette* of March 10, 1933, announced a reduction of Light Dues, but provided that they were to be calculated in 'conventional dollars' at a specified rate in sterling.

The Foreshores and Sea Bed Amendment Ordinance led to considerable discussion by the Committee and the Legal Sub-Committee, as the Bill made sweeping changes in the rights of the great majority of owners of lots bordering upon the foreshores of the Colony. As the Crown Leases of possessors of Marine Lots did not specifically grant rights of sea access, the effect of the Bill was to destroy their existing special rights of sea access to which they were entitled under the general law.

The day after this Bill was passed the *Gazette* of August 19 appeared with the draft of a Bill entitled 'The Foreshore and Sea Bed Works Ordinance'. This, it was contended, went considerably further than the Foreshores and Sea Bed Amendment Ordinance, 1932, and the provisions as to compensation in the Draft Bill were different. Further representations were accordingly made by the Chamber, which held that if the interpretation of the legal advisers to the Chamber were correct, the rights of a very large body of land owners would be seriously affected by the Draft Bill. The Committee strongly protested against any attempt to deprive such owners of their inherent right of use of an access to the sea, and also requested that it be made clear that special agreements made by the Government would be respected. The China Association in London also interested itself in this question. The matter was taken up in Parliament and on October 26 Government dropped the Bill.

At the request of the Hong Kong Government, the Chamber reiterated its view on Daylight Saving—that any alteration in the Standard Time in Hong Kong would be very undesirable indeed and would be strongly opposed.

The world slump in 1933 had a direct impact also on the share market and land values in Hong Kong. Huge losses were sustained in some speculative counters. Even some of the better investment shares, which were also good dividend earners, were marked down, imposing losses on genuine investors. The fall in land values was especially great in Chinese tenement class property. In the autumn came a crisis amongst the native banks, several of which went to the wall. Others with good securities had no difficulty in obtaining accommodation from the foreign banks and weathered the crisis. As Mr. W. H. Evans Thomas put it, silver had been 'the sport of the speculator and the politician for some considerable time', and since silver was the basis of Hong Kong's currency, another deterrent was thus added to trade.

CONTINUED TRADE DEPRESSION

AFTER the years of disorder and disturbance hopes turned to 1933 for better things. However, China became more deeply affected by the world depression, and shipping and trade in Hong Kong received a serious setback because of the heavy increase in duties following the revision of the Chinese Customs Import Tariff in May. Textile imports were especially hard hit.

Times were so hard that there were many resignations from the Chamber. The general situation, though bound up with the depression which began on Wall Street, did underline the intimacy of the links between Hong Kong and the mainland in trade and prosperity. But the drop in revenue in China caused by the fall in trade with the Colony, together with an increase in smuggling, made some officials realise the futility of combining a revenue and protective tariff.

The world depression began to lift in 1934, but economic recovery was delayed in the Far East, where conditions were very much affected by Japan's take-over of Manchuria and irruptions inside the Great Wall, while in the south operations continued against the Communists. Indeed 1934 witnessed an intensification of the difficulties experienced by merchants in Hong Kong, and the Governor appointed a Commission to enquire into the causes and effects of the trade depression.

The Commission submitted its report in February 1935, unanimously agreeing that Hong Kong should remain faithful to free trade and should not adopt a system of tariffs for use as a bargaining point with China and other countries. It added: 'While we are not sentimentally disposed to regard the free trade policy of the Colony as unbreakable should circumstances demand a moderate measure of protection to Hong Kong products, we are of the opinion that generally speaking Hong Kong's prosperity is still largely due to its free trade status and we do not recommend that this should be changed. The evidence that we have heard on this subject entirely supports this view.'

Representations were made to the Commission that if the Colony in some way were to come within the tariff wall of China for internal trading, the consequent closer contact and co-operation would be of great mutual benefit. The Report maintained that industry in Hong Kong could not develop much beyond its present stage unless it could form an economic part of the whole industrial development of South China and even to some extent of North China. It would be a desirable thing if, without giving up its Free Port status, and without surrendering

privileges or authority, the Colony could come to an understanding with China enabling it to have free or preferential entry into China of goods manufactured in Hong Kong.

In deploring the tendency to exclude Hong Kong goods from some Empire markets, the Report held that the Empire would gain more by the maintenance of Hong Kong as one of the cheapest ports in the world than by adopting a policy calculated to suppress a reasonable development of her small industries.

Other subjects dealt with in the Report included local Factory Regulations, property, water, aviation, tourism, the high cost of living and Government expenditure.

The Chamber's Annual Report for 1934 pointed out that for three years stocks of certain bulk lines, notably textiles and paper, had been carried forward. By the end of the year most of these stocks had been disposed of, but their sale at prices below replacement costs, as in previous years, adversely affected the market for 1934 cargo. These considerations applied more particularly to British and European goods, but the position of the dealers also curbed imports from China and Japan. Even so it was noted that North China goods were getting an increasing share of the South China market, as a natural outcome of industrial expansion in Shanghai and of China's protectionist policy, which coincided with lower purchasing capacity. There were even reports that Kwangtung proposed to impose a Business Tax on foreign merchants and traders in Canton.

A critical situation also arose as a result of the heavy withdrawal of stocks of silver from China, as already noted. The drain led to a contraction of credit which seriously affected business, and gave rise to fears for the future of China's currency.

Exports from Hong Kong in 1934 fell by 19 per cent on 1933 figures, but increases were noted in some commodities, notably in rubber shoes and flashlights, due largely to the fact that they qualified for Imperial Preference. Preference also helped the export of hosiery and singlets to Empire markets, though the increase did not compensate for the reduction of these exports to South China.

A threat to impose a United Kingdom quota on Hong Kong-made rubber shoes handicapped business. It was submitted that the suggested quota would be contrary to the spirit of the Ottawa Conference Agreements. Once again the Chamber's representations bore fruit and no quota was introduced.

By the early part of 1936 hopes were revived by the remarkable progress China was making in spite of civil wars and invasion, particularly in improved administration and internal reforms. There were strong hopes at the time that Nanking might be able to maintain its new currency policy, despite the difficulties of balancing the Budget and the

inexperience of handling the problems of a managed currency, the uncertain political and international situation, and the doubts as to the future silver policy of the U.S.A.

When the Provincial Governor of Kwangtung, accompanied by the Mayor of Canton and other officials, came to Hong Kong to bid farewell to Sir William Peel on his retirement from the Governorship, he expressed a wish that a deputation of British businessmen should visit Canton and its environs to see the reconstruction work completed and in progress. This visit was arranged by the General Committee of the Chamber, to whom the formal invitation was sent, and on leaving the city the Hong Kong party expressed its appreciation both of the hospitality of Canton and of its progress. This goodwill mission was followed by a further interchange of both official and unofficial delegations, and on November 5, 1936, a great banquet was given in the Hong Kong Hotel by the Chamber and the Hong Kong Branch of the China Association, at which speeches were delivered expressing mutual esteem.

Committees and the Secretariat of the Chamber were even busier than in the previous years on matters arising out of Imperial Preference, and when the Colonial Office suggested that Hong Kong should agree to a 50 per cent Empire content (instead of 25 percent) for textile manufactures, the Chamber urged that conditions should not be made more onerous than they already were for Hong Kong, and that every effort be made at the next revision of the Ottawa Agreements to preserve the status quo.

1936 was also notable for developments in air-traffic, measures which had long been urged by the Chamber. Imperial Airways inaugurated the Hong Kong-Penang service to provide a connection with the main England-Australia route. Hong Kong was included as a port of call on the Shanghai-Canton service by the China National Aviation Corporation and by Pan-American Airways on their Trans-Pacific service, then operating between San Francisco and Manila.

EFFECTS OF SINO-JAPANESE HOSTILITIES

ONE shock after another had more or less inured the Colony to the blow sustained when a clash between Japanese and Chinese troops in the environs of Peking led to full-scale hostilities which spread gradually over the whole of China except the western provinces. Trade, which had been improving throughout the first half of 1937, again became difficult. For weeks cargo intended for Shanghai and other ports in China was diverted to Hong Kong, congesting the godowns and all open land along the waterfront. Much of this cargo was ultimately disposed of in Hong Kong, but the local market was upset for a time.

Another influx of refugees from China began, and the increased population of many thousands filled all available accommodation. Abroad the assumption that Hong Kong was inevitably as much affected by the hostilities as China herself was very widespread. The Chamber, fearing that such misapprehensions might adversely affect trade, persuaded Government to take steps to refute reports of perilous conditions in Hong Kong.

Very soon however, these preoccupations were replaced by others, for on September 2, the Colony was struck by a typhoon said to be the most severe within living memory.

Even the Chamber's finances reflected the difficulties of the times. Deficits on working accounts had been recorded year after year since 1931 to a total for the six years to 1937 of over \$20,000. A canvass for more members was then instituted and a special appeal issued to all non-member firms and institutions to support the Chamber, as an essential organisation in any business community. The Chamber removed to new offices on the third floor of the Hongkong and Shanghai Bank Building at the end of 1937. The tenancy with the Chartered Bank had existed for many years and was terminated with regret.

The Chamber was greatly occupied in 1937 on Imperial Preference issues, the incorporation in one document of the manufacturer's declaration, the accountants' certificate, and Government endorsement, and over the Textile Quotas legislation which required local weaving sheds to use Empire spun yarn. The Chamber was able to secure various concessions from Government on these issues.

A Memorial was also sent to the authorities on the special difficulty faced by silk weavers in complying with the new rule on Empire yarn. Later the British rayon industry agreed to assist Hong Kong by making British yarn available at prices considerably less than those formerly

quoted—low enough to enable local factories to continue to do business in their principal market (British Malaya), using British artificial silk yarn instead of Japanese. A ruling was also sought on the position if factories used a proportion of Chinese pure silk in their cloth.

The development of Hong Kong from a manufacturing point of view was becoming of increasing importance, and at the annual meeting on May 18 Mr. H. Owen Hughes emphasised that all that Hong Kong had asked for from Imperial Preference was a reasonable chance to sell the products of local factories to other parts of the Empire and, in return, had offered to use Empire materials whenever possible.

In June 1937 four air transport companies were running regular services to and from Hong Kong, but the operations of the two Chinese Companies, the Sino-German Eurasia and the CNAC, were first suspended and later restricted after the outbreak of hostilities in China. Seaborne traffic was also hampered as well as internal surface communications.

Meanwhile, the mail loads carried to and from the Colony by Imperial Airways had increased steadily. During November survey flights were carried out by Imperial Airways with a view to making the junction of the Hong Kong service and the main trunk route Bangkok instead of Penang. On December 19 the alteration was carried out, the route becoming Hong Kong—Fort Bayard—Hanoi—Undorn—Bangkok, with consequent reduction in transit time to London. Of the 52 Imperial Airways' services scheduled to arrive during the year, 48 arrived according to schedule, three arrived a day late and one two days late.

The protracted battle put up by the Chamber for better cable facilities and cheaper rates had its reward in the substantial reduction in charges for cable and wireless messages within the Empire. The introduction of an all-Empire flat rate was of particular benefit to Hong Kong because in the past it had cost substantially more to send a cable to the U.K. than in the reverse direction. The hope was expressed that the lead given by the Empire would result in a world-wide scaling down of charges.

The spread of hostilities between the Chinese and Japanese forces in China in 1938 continued to overshadow the Far Eastern scene. For the first nine months of 1938 there was brisk trading which local merchants realised was abnormal and was due to a diversion of Yangtze Valley imports and exports to the Canton-Hankow Railway via Hong Kong, following the closing of the Yangtze to the foreign mercantile marine. Trade statistics for the first three quarters of the year were much inflated, but business was severely restricted from October onwards when hostilities extended to South China, and Canton passed under the control of the Japanese. The Chinese had already closed the river to steamer traffic and the Japanese maintained the closure.

The cargo that still moved found its way through indirect channels. Chambers of Commerce representing foreign traders in China had taken steps all through the year to keep the Governments of their countries informed of the serious handicaps to trade. In these representations the Hong Kong Chamber joined, urging, in particular, that the Canton River should be reopened to commercial traffic at the earliest possible moment.

Happily, manufacturing development under Imperial Preference helped to keep the population employed; the major industries of the Colony were well occupied; and the great influx of people from the mainland gave an impetus to local trade and increased the revenues of the Government and of public utility companies. There had been some transfer of industry from China to the Colony as well as of business in tea and silk. Increased defence expenditure also stimulated local trade and the circulation of money.

Once more piece goods became a problem, owing to the difficulties in the transportation of merchandise from Hong Kong into the interior of China. The Piece Goods Guild urged the Chamber to recommend its members to stop shipment of piece goods ordered by dealers in Hong Kong, but it was held that conditions in other markets could hardly be a reason for stopping shipments contracted for purchase and delivery in Hong Kong.

The terms of a revised textiles and yarn contract between importers and suppliers, which had been the subject of negotiations with the Manchester and Bradford Chambers of Commerce, were finally agreed in September 1938, and the Committee recommended that the contract be adopted for all transactions covering cotton and woollen textiles and cotton, wool and other yarns.

An announcement by the Governor on October 13 that the Government did not intend to renew the existing pier leases, all of which were due to expire at the end of 1949, was the subject of representations by the Chamber. The chief points at issue were whether the harbour should be developed by Government, by an independent corporation such as a port trust, by private enterprise or by a combination of these methods. Holders of pier leases submitted that harbour development should be left to private enterprise which had been responsible for the growth and organisation of trade in Hong Kong; that it was essential to the Colony's prosperity to keep harbour facilities as cheap as possible; and that the Wharf Companies who had, at their own expense, developed their frontage, should be in a position to look forward to assured possession and control of their own activities. The Chamber put forward their views but Government refused to accept that past expenditure by private enterprises entitled them to perpetuation of their rights of user, and declined to give any statement of policy until the matter had been referred to expert investigation.

During 1938 the General Committee had under consideration Government policy on Crown Leases originally granted for 75 year terms without provision for renewal.

In Hong Kong ownership of land is, with a very few exceptions, by leasehold from the Crown. The oldest leases granted were for 75 years. In 1849 leases for 999 years were authorised, and existing 75 year leases were converted accordingly. In the 1880's the issue of 999 year leases ceased and 75 year leases without option of renewal were reintroduced. About 1898 the standard period became 75 years, renewable for another 75 years without payment of premium, but at a revised Crown Rent to be assessed by the Director of Public Works as the fair rental value of the ground at the date of renewal.

The terms on which leases for 75 years only might be renewed had been discussed at intervals from about 1886 onwards, but no definite pronouncement had been made by the various Secretaries of State for the Colonies who had been approached. However, the impression had grown that the leases would be renewed on easy terms, the most probable demand being a revision of the Crown Rent to the rates prevailing at the time the leases fell in. It therefore came as a shock when Government told enquirers in 1938 that the strict provisions of leasehold law might be applied: that is that the land and buildings upon it revert to the lessor at the end of the lease, unless the lessee agrees to buy them back by means of a premium or a greatly enhanced rent on renewal.

Both members and Government were anxious that the Chamber's view should be made known, and a Special Sub-Committee was therefore set up in 1939 to examine the question. Briefly, it was argued that it was too late for Government to insist on its strict legal rights, and that the fair solution (suggested by the Secretary of State in 1915) was renewal for 75 years on payment of a fair rent for the second period, to be determined, failing agreement, by arbitration.

This problem was still unresolved, with discussions continuing between the Chamber, Government and the Secretary of State, when the Pacific War broke out.

The Empire Air Mail programme was extended to Hong Kong on September 2, 1938, and all first-class mail passing between Hong Kong and the Empire and certain other countries was carried by air at a flat rate. The compulsory sending of all first-class mail by air was a mixed blessing, because shipping documents and Bills of Exchange, not required at destination until the steamer carrying the relevant goods had arrived, were now carried by the most expensive method. The new system also upset the established custom of drawing bills at four months' sight. Previously documents sent by sea mail would arrive about a week before the ship carrying the goods. By airmail, the documents arrived about a month ahead of the goods so that a bill would fall due, not four months after the arrival of the cargo, but three—an appreciable difference.

A major issue during the years 1938 and 1939 was the proposal for a quota on imports into the United Kingdom of rubber shoes from Hong Kong. In January 1939 a representative of the United Kingdom manufacturers arrived in the Colony to discuss the matter with local rubber footwear manufacturers and the Chamber's Imperial Preference Sub-Committee. The United Kingdom manufacturers sought from Hong Kong both a voluntary limitation on shipments for two years and a price maintenance agreement, basing their request on the rising proportion of the Home Market being taken up by overseas competitors, particularly Hong Kong. While both the Chamber and local manufacturers agreed that some limitation was desirable in principle, the figures proposed by the United Kingdom representative were not acceptable. An agreement was left in abeyance pending further investigations in Hong Kong and the result of a request to Government for assurances about the protection of the industry, and at the outbreak of War in Europe no further progress had been made.

CHAPTER XIV

OUTBREAK OF WORLD WAR II

THE outbreak of war in Europe in September 1939 added further to the difficulties already brought about by the Sino-Japanese hostilities, and the work of the Chamber was very greatly increased, especially in collaboration with many Government Departments in the handling of wartime problems. Although German members had to be struck off the list, new members more than made good the loss in numbers.

Government introduced an income-tax measure in the Legislative Council to help meet the cost of the war, but while the Chamber approved the principle of a contribution it felt that the proposed method of taxation was wrong. The Bill was ultimately withdrawn and a War Taxation Committee appointed which recommended proposals in line with those considered suitable by the Chamber. A War Revenue Bill was then introduced, so devised as to raise an adequate war contribution without undue interference with the Colony's trade.

Long delays in rulings from the London Custom House, proof of Empire content in goods made from Empire cotton yarn, increased freight charges, deviation charges and increased war insurance all occupied attention. Merchants in other countries were quick to suggest that importers in Hong Kong should pay the extra charges, so it was logical to apply the same idea in reverse. All United Kingdom importers of rubber footwear agreed to this.

At the same time moves were made in London toward a quota to reduce home consumption generally and this was given as one of the reasons for reviving the proposed quota on Hong Kong manufactured rubber footwear. Limitation was to be based on the value rather than the quantity of imports during the previous twelve months. This would have gravely affected manufacturers with commitments exceeding \$5 m. and the Governor took up the matter with the Secretary of State. The factories meanwhile were choked with goods that could not be shipped and finally the Board of Trade agreed to a new and more satisfactory arrangement.

When Trans-Pacific freight charges increased by 50 per cent, the Chamber protested, pointing out that Conference lines operating between the Far East and Europe charged an increase of 20 per cent only for voyages passing through several danger zones. Once more the Chamber gained its point, and the rate of 20 per cent was substituted for the original increase, though a further increase of 15 per cent was introduced in February 1940.

The Chamber took a strong line on proposed legislation for the prevention of accidents in working cargo, holding that it was unsuitable for Hong Kong since most of the cargo-carrying craft were junks which could not be controlled by such legislation. On the wharves proper safety precautions were already observed and steamships operated with plant complying with Board of Trade requirements. Introduction of the Bill was not proceeded with.

Hong Kong completed its first century of existence as a British Colony, but the Centenary celebrations, arranged for January 1941, were cancelled as inappropriate in the midst of a world war. Tension in the Pacific became so acute in June that orders were received from H.M. Government to evacuate British women and children. Heavy expenditure was necessary on defence measures and in addition the Colony made substantial contributions to Britain's war effort.

Losses suffered by the mercantile marine through enemy action had serious repercussions upon the life of the Colony in many directions. Nevertheless the trade returns showed that in spite of all, the volume of trade was surprisingly well maintained in 1940, though it was hardly expected to continue far into 1941. Employees of firms together with regular forces, assisted in a system of anti-sabotage duty on board ships in Hong Kong, and Hong Kong was represented at a Conference in Delhi in the autumn of 1940 to devise measures for co-ordination of war supplies east of Suez. The Hong Kong delegation were armed with local production estimates and the potentialities of Hong Kong industries furnished one of the surprises of the Conference.

The outbreak of World War II in Europe, coupled as it was with the warlike conditions in the adjoining provinces of the mainland, altered the economic position in every way, and that of trade and transport not least. Hong Kong had not only to wrestle with the problems created by a vast influx of refugees from China caused by the Japanese invasion, but to provide for greatly increased public expenditure, to build air raid tunnels, and to create food and fuel reserves as siege rations for 150 days for nearly two million people.

While food and other costs rose and distress was often acute among the refugees, deviation of trade from other ports increased trade activity in Hong Kong. The dockyards worked round the clock for the British Government, and even the smaller Chinese factories were asked to adapt themselves to production of the simpler requirements of the Forces, with orders worth millions of dollars.

Then came the Pacific War. The attack on the Colony which, with the raid on Pearl Harbour, signalled the start of this War on December 7/8, 1941, was to entail, among other things, the death during hostilities or in internment of numerous office-holders of the Chamber, and a great many member-firms too suffered losses by death. Members of the Chamber were also foremost in many of the responsible duties during internment.

LIBERATION

LIBERATION came in August 1945 and the early and difficult period of readjustment naturally devolved upon the British Military Administration. It was envisaged that commercial trading would be held up for six months and the B.M.A. became responsible for the supply of necessities—a condition of affairs unprecedented in a community which had always lived by its own trade. The B.M.A. had no idea, of course, what conditions would be like on their arrival. Certainly they did not count on finding the former Civil Government in office, with the former Essential Services already picking up the threads. To this extent their work had been simplified and they were filled with admiration for the manner in which the work had been grappled with. Immediate needs were more in the nature of relief.

The opinion became widely held that a period of six months before ordinary trading could start was much too long, and as a result the Colony was opened to trade on November 23, 1945, and banks were permitted to accept deposits and make advances. They had already opened for domestic business early in October, and from October 17 no restrictions were imposed on new accounts, although pre-war accounts remained frozen. Exchange dealings within the Sterling Area were resumed on November 12 and full exchange facilities made available on December 4, subject to the usual control.

The Chamber itself re-started at a special meeting on January 23, 1946, at which a new Committee was elected, and this in turn elected Mr. R. D. Gillespie as Chairman. The Secretary, Mr. M. F. Key, who had been interned throughout the occupation, returned in February after recuperation in Australia. All the furniture and equipment had vanished and the Chamber premises had been used as a dormitory for Japanese troops.

The Department of Supplies, Trade and Industry was at this time functioning as the principal trading organisation of the Colony. It despatched special missions to all neighbouring countries to obtain much needed supplies. The change-over from the worthless yen to the Hong Kong dollar was a painful but necessary operation, and emergency measures were adopted, among other things to provide for thousands of destitute. Duress Notes, issued during the occupation, presented a special problem. After a thorough investigation, the Government and the Hongkong Bank felt that notes bearing the name of the Bank which had not previously been issued should be recognised and validated as bank notes lawfully issued. Satisfactory arrangements were made between

the Government and the Bank for providing cover for, and eventually liquidating, a temporary increase in the Bank's fiduciary issue to the extent of \$16 m.

The policy of removing restrictions upon trade quickly justified itself and injected a spirit of enthusiasm and enterprise into the business community, as the trade statistics showed. Imports and exports rose from \$12 m. in November to \$27 m. in December and to \$71 m. in January 1946. By March the total reached \$93 m. The tonnage, of course, was considerably less in relation to 1939 trade because of higher prices. During the two months of November and December 1945 only one merchant ship was unloaded at the port. The carriers then were junks and other small craft which reappeared with gratifying rapidity after the liberation. Even so, Hong Kong fared far better than Singapore, where scarcely a shop was open and the Military Administration carried on till the middle of 1946.

The Military Administration set up a Port Executive Committee, on which the Chamber was represented, which dealt with the routine operation of general policy. Godown space was still congested with Japanese military and other equipment and with stores under the administration of the Custodian of Property. Shortage of lighting and the prevalence of looting made progress difficult, but harbour and dock patrols gradually improved matters. A Godown Committee sought alternative accommodation for cargo, and the railway soon trebled its capacity for the transport of goods into South China.

Civil Government was restored on May 1, 1946 and with it returned the recurrent question of constitutional reform and the possibility of a Municipal Council. A special Committee was appointed to consider the extension of Local Government, whose report was adopted by the General Committee on August 26, 1946. The lack of interest shown in this report by the great majority of members of the Chamber supported the General Committee's impression that the pressure for a change came mainly from H.M. Government and that there was 'no apparent demand in Hong Kong for constitutional reform'. It was even doubted whether sufficient persons would come forward to serve on a Municipal Council of the size envisaged. Further discussions took place between the Governor and the special Committee and the papers were transmitted to London. On March 2, 1947, the Secretary of State announced the Government's conclusions which called for a Municipal Council on the widest representative basis possible, and a modification of the constitution of the Legislative Council to ensure increased representation of the Unofficial community. The official members were to fall to seven and of the eight Unofficial members two would be directly nominated by the Municipal Council, and one each by the Chamber and the Unofficial Justices of the Peace. The Governor would continue to nominate the remainder.

Hong Kong's economic progress was remarkable, especially in relation to the mainland, where China found the difficulties of adjustment from a war to peace economy exceedingly severe. The U.K. Trade Mission to China under Sir Leslie Boyce concluded its two months' tour with a visit to Hong Kong, and members of the Mission promised to do their best to secure yarn for the textile trades. It was recognised that local production for both Hong Kong and South East Asia was important at a time when shortages of transport as well as most commodities were acute all over the world.

The Chamber's Report for 1941-46 records a warm tribute both to the retiring Governor, Sir Mark Young—who was later succeeded by Sir Alexander Grantham—and to the retiring Secretary, Mr. M. F. Key, who had completed exactly 25 years service and brought 'mature experience and unusual ability to the service of the Chamber'. In addition, he contributed valuable services to causes not strictly within the duties of his office.

The extraordinary variety of complex problems which had to be dealt with included transactions in land during the Japanese occupation, the provision of passages for repatriates, and accommodation difficulties arising out of the bombing and looting of residential property, of which over 9,000 building units were damaged and over 11,000 destroyed. These figures included 1,800 European type houses destroyed and 310 damaged, while 8,217 tenement houses were damaged and 8,039 destroyed. Complaints of lack of accommodation poured into the Chamber.

The Government sought the assistance of the Chamber in drafting a Memorandum for the Sub-Commission appointed by the Secretary of State for the Colonies to deal with the Economic Reconstruction of the Devastated Areas, the Working Group of which intended to visit devastated areas in the Malayan Union, Singapore, and Hong Kong.

ECONOMIC RECOVERY AND REHABILITATION

BY May 1946 foreign correspondents were proclaiming that 'nowhere in South-East Asia do you find so many encouraging signs as in Hong Kong'. By mid-August the correspondent of *The Times* could write of 'well-dressed, healthy-looking crowds thronging the main thoroughfares. The shops are stocked with every kind of imported goods, most of which came from Australia, some from the U.S.A., and only a small proportion from the U.K.'

Other despatches spoke of the rapid growth in the number of firms in the import trade. 'Generally speaking', commented *The Economist*, 'Hong Kong seems to have recovered to a far greater extent than any other trading centre east of India'. However, pilfering was becoming increasingly serious and insurance companies were looking askance at the risks. Looters were responsible for millions of dollars worth of damage. In The Peak district alone there were probably over 200 houses left undamaged by Japanese bomb or shell but since literally picked to pieces. Meanwhile thousands of Chinese had been pouring back, rich and poor alike, including many who had been deported from the Colony by the Japanese. There were jobs for them here, and none in Canton.

Already Hong Kong was reaching out to a wider role than that of South China's entrepôt. Various areas of South-east Asia began to draw upon Hong Kong for supplies to a far greater extent than ever before, notwithstanding the growth of economic nationalism.

Meanwhile the Chamber, at the suggestion of the new Governor, Sir Alexander Grantham, investigated the cost of living in great detail and made its recommendations. The two most important factors were the cost of rice and of accommodation, and the Chamber made suggestions on both heads.

A steady expansion in the membership of the Chamber brought it over the 400 mark, and a new Secretary, Mr. J. B. Kite, was appointed.

The Chamber nominated representatives to serve on the British Reparations Team to visit Japan, and a Technical Adviser to the U.K. Delegation for the preparatory Asian Regional Conference of the ILO at New Delhi, at which Governments, Employers and Workers were represented. Mr. Charles Terry, in his Report on the Conference, stressed that the Employers' Group was the only one which worked throughout as a Group and in general with complete unanimity.

Under the direction of the Chamber's Labour Sub-Committee a Community Survey was conducted. Large employers, including public Utility Companies, transport and industrial concerns, provided data

from which comprehensive lists of rates of pay and benefits were compiled. The report was made available to both the Employers' Federation of Hong Kong and the Labour Adviser to the Secretary of State for the Colonies.

There was little labour trouble in the immediate post-war years of increasing prosperity. The only strike of major importance in 1947 was that affecting the Dockyards in August. It lasted for 27 days and the settlement brought in its train a series of demands on other employers which were settled without resort to strike.

During 1946 a Port Administration Inquiry Committee was set up by the Government and its recommendations were forwarded to the Chamber on January 8, 1947. The Report discussed at length the Owen Report on the Development of the Port, and the Committee expressed the opinion that the facts stated in the Owen Report did not warrant the conclusion that the existing form of Government control of the Port had resulted in any such failure in administration or inadequacy of facilities as would justify the establishment of control by some form of Port Authority or Trust.

The Committee's conclusions and recommendations were set forth in the Chamber's Report for 1941-46. Among the recommendations was the setting up of a Port Committee to include three persons nominated by the Chamber, and the Chamber's first representatives were nominated later in 1947.

A Clerical Workers' Wages Survey was conducted by a Sub-Committee of the Chamber. The returns were tabulated under headings according to types of business, and the results of the Survey were made available to the Government Salaries Commission, to whom they proved a useful guide.

The Chamber co-operated with Sir Patrick Abercrombie, at his invitation, in his town planning investigations, and it is noteworthy that even then the Chamber recommended the creation of industrial zones with adequate ancillary services—a generally accepted formula in the Colony's town planning today.

Goodwill missions were exchanged with the Canton Chamber in the first half of the year, and preceded negotiations on the Consular Leases in former Concessions in Canton. After a visit to Canton by Mr. J. R. Jones, Legal Adviser to the Hongkong and Shanghai Banking Corporation—who had presided over all the meetings on this subject—a measure of agreement was reached as to the submission of the necessary proof of title.

The transfer to Hong Kong of many former China Companies increased the Chamber's membership, which reached 500 in 1948. Although Hong Kong's total trade began to fall in 1948, it soon picked up again and led to the conviction that the widened sphere of operations had the elements of permanence. The Chamber was much occupied

with legal and Government measures from the working of the port to the operations of the Department of Supplies. The Moratorium, imposed by the B.M.A. in 1945 on the enforcement of debts incurred during the Occupation, was lifted on December 1, 1948, and, though the Bill introduced by Government for this purpose caused controversy, it was argued that it was the fairest that could be achieved. Details of the complicated provisions which the Bill made are to be found in the Chamber's Annual Report for 1948.

The problem of the terms for renewal of Crown Leases originally granted for 75 years had been left unresolved in 1941. By 1945 a solution was needed urgently, and the Special Sub-Committee was reformed shortly after the revival of the Chamber. The Chamber wrote to the Government in March 1946 asking for Government's views, particularly as the wholesale destruction of property during the War had changed the position. In June Government released details of its intention to renew leases subject to an increased Crown Rent and the payment of a premium either as a lump sum or by instalments over a period of years. The renewed leases would also be subject to special conditions including a building covenant.

The Chamber gradually learnt details of these special conditions from the experience of members in dealing with Government, and they were considered by a special Sub-Committee in 1948. On the recommendations of this Sub-Committee the Chamber wrote to Government contesting the equity of the condition requiring the eventual owners of the lease to deliver up buildings to a minimum value calculated many years previously.

The Chamber negotiated for export quotas to the United Kingdom and the authorities were eventually persuaded to allow imports into Great Britain of locally-made knitted goods, toys, mats and basketware.

The General Committee took advantage of the visit in March 1948 of the Earl of Listowel, Minister of State for Colonial Affairs, to discuss with him various subjects, including Imperial Preference, Military Lands, the criticisms of Hong Kong's exchange position, and the need of hastening orders for capital plant.

Disturbed conditions cut down the China Produce trade, but the registration of no fewer than 517 new factories confirmed the promise of compensation for the looming changes in China.

The astonishingly swift recovery of Hong Kong was clearly visible at the end of 1948. A profound shock was to come a year later when the curtain descended on the border and for the first time in a century Hong Kong enterprise had to turn its gaze, so long concentrated on the mainland, to the more distant parts of the earth. Trade statistics for 1948 were the highest so far achieved despite the drop in trade with China. Trade with Japan expanded considerably, and another notable development was in trade with Korea.

In spite of the distortions of normal trading by the advance of the Communist forces over the vast area of China proper, imports of merchandise in 1949 totalled \$2,750 m. and exports \$2,318 m. The worldwide tension which accompanied the swift march of the Communists led to renewed international interest in Hong Kong's astonishing progress. A remarkable tribute appeared in *The Economist* on January 14, 1950: 'Perhaps in some respects the Colony is better off than before the war, relatively at any rate, in comparison with the decline and hardships in surrounding countries. It is a paradise of order, enterprise and prosperity. In the geometry of world economy Hong Kong has position rather than size. The calm and optimism which prevail in Hong Kong are very surprising to most visitors from the outside world. The main ground of local confidence is the certainty that in economic and other practical matters China, whatever its politics, cannot do without Hong Kong which must always have an important and lucrative position at the gateway to that vast country. As far as politics are concerned, long experience in the East breeds a healthy scepticism about political claims and programmes. . . . The Colony is now a shop-window and its position is immensely strengthened in this respect since the latter part of 1949'—when the Communist occupation of Canton and the railway to the Hong Kong border occurred without any serious clash.

The outbreak of the Korean War altered the outlook again and reversed the trends of the first half of 1950. Demand became strong and China's need for foreign exchange led to a strong revival of the China Produce export trade. The sudden demand for local stocks was probably helped by the rearmament programmes in Britain and the U.S.A. For four successive months (August to November) there was a balance of exports over imports—an unprecedented occurrence all the more remarkable in that the needs of the Colony's two million inhabitants had largely been met out of imports. The application of strict export controls by the U.S. Government during December increased traders' doubts about the availability of future supplies, and brought in its train severe hardship for some firms which had substantial amounts of trading capital locked up in cargoes off-loaded at various ports. Hong Kong's foresight in seeking other markets than China began to be justified and trade began to expand with other parts of Asia and the Commonwealth.

Hong Kong's expansion since the war had been achieved in spite of extraordinary and unequalled stress. The problems of restoring the administration and finances, of overcoming the trading difficulties, the war in China, and the need to support the vast inrush of refugees had all to be surmounted. In December 1950 some 50,000 people were thrown out of work because of the difficulty of getting raw materials. Trade with China was soon halved. The Colonial Secretary (Mr. Oliver Lyttelton, now Lord Chandos) came out at the end of 1951 to review

the economic situation, but it was typical of the spirit of Hong Kong that the Governor announced in the Budget session of the Legislative Council the biggest programme of public works ever undertaken.

A vexed issue was that of claims by several member firms in respect of war supplies contracts. The Chamber put up a strong fight when Government ruled that these claims were in the same category as war damage claims and settlement would be limited to goods delivered or ready for delivery, but the Ministry of Supply were immovable.

The Taxation Sub-Committee was for some time occupied with questions arising out of the application of the 1947 Inland Revenue Ordinance. Until the Second World War there was no direct taxation. The Opium Monopoly, until abolished, furnished up to one-third of the total revenue. There were Light Dues, arms licence fees and premiums on new Leases, House Tax, Liquor and Tobacco duties. A Bill was introduced in the Legislative Council in March 1940, imposing a series of War Taxes—a Property Tax of 5 per cent, a Salaries Tax on salaries and pensions at the rate of 10 per cent; a Corporation Profits Tax at the same rate and a Business Profits Tax on profits made in the Colony levied on the business and not on individual persons. This taxation was specifically for war purposes, and it was indeed stipulated that no tax should be collectable in any year of assessment subsequent to the year of assessment in which the war was terminated.

After the war the Financial Secretary had announced his intention to examine the desirability of replacing the taxes levied under the War Revenue Ordinance, and in 1947 the Earnings and Profits Tax was introduced. This fell short of a full income tax, and comprised four separate taxes: Property Tax, Salaries and Annuities Tax, Corporation Profits Tax, and Interest Tax. Tax was chargeable at the full standard rate of 10 per cent (raised to 12½ per cent in 1951) on the profits of corporations and on interest payments, but in other cases there was provision for allowances or for tax to be assessed at a proportion or a multiple of the standard rate.

Very little progress was made in 1949 in the negotiations with the Government over Crown Leases, and no answer at all had been received to the representations submitted in 1948 regarding the general and special conditions being included in the terms for granting new Crown Leases. Not until March 1950 was the Government able to free itself from its many other pre-occupations to hint that a compromise might be forthcoming on the building covenant clauses to which the Chamber objected; and in September the Colonial Secretary notified agreement with the Chamber's objection to possible variations in building costs. The nature and extent of building covenants and, more particularly, the amount of money to be spent on rateable improvements, were to be the subject of special conditions framed to meet the

circumstances of each case; but there were to be no covenants to deliver up buildings of any particular value at the termination of leases. This reply was received with satisfaction by the Committee and the members who had originally raised the issue. In 1958 the Crown Leases Sub-Committee was re-convened as the Crown Leases and Industrial Lands Sub-Committee. In this capacity it discussed three cases which the Chamber took up with Government on behalf of members. Two of these were brought to a satisfactory conclusion, while one is still pending.

Although the Chamber was unsuccessful in its battle over the non-renewable leases, many of these leases applied to properties where there had been war damage, and the leaseholders were able to take advantage of a concession whereby a premium was assessed and off-set against rehabilitation costs. This was a measure to encourage the re-building of properties and advantage was taken of it by a wide range of owners. The position was different when the 75-year renewable leases began to come up for renewal and leaseholders were told what their revised Crown Rents were to be. It appeared that the Crown had set a capital value on the land at existing market rates, decapitalised it at 5 per cent over 75 years, and added this to the zone rent, to arrive at a revised Crown Rent. As an example, one member firm was faced with a bill for \$360,000 per annum as compared with \$3,600 per annum during the first 75 years. The Chamber opposed the Government measure and took advice from Queen's Counsel in London whose opinion, however, was that the Crown was fully within its rights in doing this.

CHAPTER XVII
INDUSTRIALISATION

PREVIOUS chapters have made mention of how, after the signing of the Ottawa Agreement in 1932, a few manufacturers, supported by enterprising merchants, started the manufacture of rubber footwear for sale to the United Kingdom under Imperial Preference arrangements. Flashlights and batteries also were started and a small but worthwhile trade was built up in these together with enamelware, vacuum flasks and the traditional preserved ginger. The outbreak of War in Europe brought opportunity to supply items of military equipment under the co-ordination of the War Supplies Board and several members were quite heavily involved in this when operations had to cease in December 1941.

After the Liberation opportunities presented themselves in many directions. The whole world and the Far East in particular demanded consumer goods of all types, clothing, household utensils and building materials especially being in short supply. It was symptomatic of the spirit in which Hong Kong's population set about rehabilitating both itself and the Colony as a whole that local industrialists should have perceived the opportunities open to them and, despite mountainous difficulties in obtaining raw materials and new machinery, they began to move in on this field.

This embryo industrialisation of the Colony's economy tended to be lost in the very rapid increase in entrepôt trading which resulted from the worsening conditions in China. These brought to Hong Kong much of the trade that had formerly moved through Shanghai, and this later rose to a peak during the earlier stages of the Korean War. Nevertheless, the infant thrived and in 1948 a group of industrialists headed by Mr. U Tat Chee, a leader of the preserved ginger industry, arranged, at a series of meetings held in the Chamber's Board Room, for the Colony's first ever participation in an overseas trade fair, in the Commonwealth Section of the British Industries Fair at Earl's Court in London. Gratifying and considerable interest was shown in the Colony's products and the experiment was repeated on a much bigger scale in following years; Colony participation was on a self financing basis, organised by a succession of Committees on which the Chamber was represented, and on each occasion the Chamber provided either the leader or at least one member of the Delegation, either from the General Committee, or from its permanent staff.

During 1948 and 1949 there had arrived in the Colony substantial quantities of textile machinery which had been ordered by Shanghai

manufacturers for the rehabilitation and re-equipment of the former extremely active textile industry in that port. In view of the disturbed conditions in China, the owners of this machinery decided to set up new plants in Hong Kong, and the spinning and power-loom weaving of cotton cloth quickly established itself as a solid prop for the Colony's economy. The predominance of trading activities concealed the fact that several other new industries had started: the setting up of plastic moulding factories and the manufacture of quality garments on an industrial scale being typical examples.

The whole picture of the Colony's economy changed over-night in the middle of 1951 when the United Nations Controls on shipments to China were imposed and Hong Kong, which had drawn its living for 110 years principally from trading with that market, found itself virtually cut off from it. Exports to China, traditionally regarded as the most reliable thermometer of the Colony's economic health, fell from a record of \$244 million in the month of March to a total of \$51 million in December of that year.

Here then was the opportunity and incentive which local industry awaited. Much of the working capital that had been used in profitable trading activities, found itself idle. The trade promotion work, which some manufacturers and far seeing merchants had been carrying out, had created a wider interest in Hong Kong products, and quality standards had been rising. Unable to support itself for more than a minute fraction of its foodstuffs requirements, the Colony had literally to 'export or die' and it soon showed that it had no intention of doing the latter.

The textile industry, which was the fastest to grow, had only 8,000 spindles in 1948 but reached 210,000 by the end of 1951, and with these were associated 4,500 power looms. Exports of cloth were still principally to Asian markets where demand continued firm and a few small shipments of a trial nature had been made to the United Kingdom. The export of garments nearly doubled during the year to reach \$156 million, and the Colony's other industries also began to step up their production and sales.

The textile industry continued to expand without major setback until 1955 when a visit to Hong Kong was paid by the Director of the Federation of Master Cotton Spinners' Associations who, on his return to the United Kingdom, wrote a report setting out the Lancashire cotton industry's case for protection against unrestricted duty-free imports of cotton goods from India, Pakistan and Hong Kong.

Just over a year later, in the early part of 1957, a mission from the United Kingdom Cotton Board, headed by Sir Cuthbert Clegg, came to the Colony and had talks with representatives of the Cotton Spinners' Association and of the Chinese Manufacturers' Association. The Chamber was not involved in these approaches, but it is clear that the

two associations made it plain to the Lancashire delegation that they had no authority to make on behalf of the Hong Kong industry an agreement for limitation of shipments such as was sought. The mission proceeded to Karachi and, whilst there, received confirmation from the two Hong Kong Associations that their position remained unchanged. There ensued a violent anti-Hong Kong press campaign in the United Kingdom, it being alleged that it was Hong Kong's intransigence which precluded the possibility of a provisional arrangement which had been made with India and Pakistan being ratified.

The campaign against the Colony was not only conducted through the Press, and as a result of it and of strong pressure in Parliament, H.M. Government decided to intervene and, early in 1958, sent to Hong Kong Sir Frank Lee, K.C.B., C.M.G., the Permanent Secretary to the Board of Trade. Preparations for his visit had been properly made through the Hong Kong Government and, whilst here, he held meetings with a Committee consisting of representatives of the Chamber, the Manufacturers' Association, and all sections of the cotton textile industry. He explained that his mission was to obtain Hong Kong's agreement to negotiate, on an industry to industry basis, a voluntary agreement to limit shipments of cotton piecegoods to the United Kingdom for retention there. In the course of several meetings the Hong Kong representatives made it clear that the local industry considered that Hong Kong, as a Crown Colony, was in an entirely different position from that of large independent countries such as India and Pakistan. In spite of the Colony's known difficulties, however, they were prepared, as a gesture of Commonwealth co-operation, to enter into negotiations on exports of grey loomstate cloth.

During August of that year, the Chairman of the Chamber, the Hon. J. D. Clague, C.B.E., M.C., was asked by Government to assist in the formation of a Committee to meet representatives of the United Kingdom Cotton Board for the proposed industry to industry talks. This Committee, representative of all sections of the local industry and known as the Hong Kong Textile Negotiating Committee, held its first meeting early in September, and Mr. Clague was elected Chairman whilst the Chamber's staff undertook the secretarial work for both joint and private meetings.

During the interval between the visit of Sir Frank Lee and the arrival of the Cotton Board delegation, attacks on the Colony in the United Kingdom press and elsewhere grew in violence to such a pitch that the Chamber became convinced that some clarification of the Hong Kong position was required. The lead was, therefore, taken in organising a Joint Committee with the various other interested unofficial organisations, collecting the necessary funds and engaging a firm of Public Relations Consultants in the United Kingdom to look after the Colony's

interests in this connection. Beneficial results were soon apparent in the form of a much more restrained and reasoned approach by the great majority of both serious and popular journals in Britain.

Altogether seven Joint Meetings were held with the representatives of the Cotton Board during late September/early October and innumerable private meetings were held between the time of their departure and the end of the year. At these latter meetings various problems were ironed out between different sections of the local industry, and the final result was that on December 24 a Voluntary Undertaking for the limitation of shipments to an overall effective ceiling of 168 million square yards per annum for the ensuing three years was initialled and sent to the Cotton Board by whom it was gratefully accepted. It is noteworthy that this Undertaking was voluntary, unilateral and not conditional on any agreements which the Cotton Board might make with industries in other countries.

It is also, perhaps, pertinent to recall that the giving of this Undertaking was not the first time that Hong Kong had made a move to alleviate distress in Lancashire as, to quote from Mr. Hewett's history of the first fifty years of the Chamber: 'In September 1862 it was decided in view of the intimate relations which existed between Hong Kong and Lancashire to raise funds by public subscription to assist the Cotton operatives who were suffering from the closing of the mills'.

Although the problems of the textile spinning and weaving industry have loomed large during the past few years, it was by no means the only one to expand rapidly. The manufacture of garments has shown even more rapid growth and now constitutes the Colony's second most important industry. Plastic goods of all kinds have become the Colony's third largest industry chiefly due to the vogue for plastic flowers.

During the past few years emphasis has been laid on the need for diversification and as a result several entirely new industries have been born together with extensions of those already in existence. Among the most recent additions to Hong Kong's products are air-conditioning equipment, transistor radios and nylon mono-filament.

The growth of local industry is reflected in the Colony's trade returns: during 1960 as much as 75 per cent by value of total exports were locally manufactured goods. The Chamber, too, numbers more and more manufacturers among its growing membership.

OVERSEAS TRADE PROMOTION AND
LOCAL ISSUES

THE growing importance of the export of Hong Kong made goods to all parts of the world led the Chamber to take an increasing interest in trade promotion activities during the 1950s. In particular the Chamber throughout urged Government to arrange Colony exhibits in international trade fairs and took a leading part in organising and manning the stands.

The initial exhibits at the British Industries Fair in 1948 and 1949 have already been mentioned. The Colony continued to participate until 1953 with the Chamber actively represented on the organising Committee and normally providing members of the delegation from its General Committee or permanent staff.

In 1954 came the Colony's first venture at a trade fair outside the United Kingdom, when the Chamber organised Hong Kong's participation in the Washington State International Trade Fair in Seattle. The delegation was led by a member of the Chamber's General Committee, Mr. H. Owen Hughes, O.B.E., who had previously headed the Colony's delegation to the British Industries Fair. In reporting on the outcome of this venture to members at the Annual General Meeting in April, 1954, the Chairman, the Hon. C. Blaker, M.C., noted that it had been a wise move on the part of Government to arrange for an Assistant Director of the Department of Commerce and Industry to attend the Fair, and hoped that further practical trade development tasks such as this would be undertaken by Government.

Following the success of the visit to Seattle in 1954, the Colony took part in Fairs there in 1956 and 1960. In both cases the Chamber supplied the leader of the delegation, and in 1960 also sent an Assistant Secretary as a member.

The Secretary of the Chamber was a member of the Hong Kong delegation to the First United States World Trade Fair in New York in 1957, and accompanied the leader of the delegation to Washington where they were received by the Vice-President, Mr. Nixon, as well as calling on the Bureau of Foreign Commerce and the Department of Foreign Assets Control of the U.S. Treasury.

The Colony had official displays at several European Fairs: at Frankfurt in 1956 and 1957, at Vienna in 1959 and Stockholm in 1960. In every case the leader was provided by the Chamber, with the Secretary and an Assistant Secretary respectively in the two delegations at Frankfurt.

In 1958 Government sent a trade mission to Central America and the Chamber made a substantial contribution towards the expenses of the visit.

Since 1951 when the Secretary attended an E.C.A.F.E. Trade Promotion Conference in Singapore, together with two other nominees of the Chamber, representatives have attended a large number of such meetings as well as those of other bodies concerned with international trade, including the International Chamber of Commerce and the Federation of Commonwealth and British Empire Chambers of Commerce.

These were all active steps taken by the Chamber to promote the Colony's trade. An important measure—the appointment in 1958 of Public Relations Consultants in the United Kingdom—has already been noted. Originally engaged and paid for by a Joint Committee of unofficial trade associations, the contract with this firm, Campbell-Johnson Ltd., was taken over during 1959 by the Chamber, which thus assumed alone a very considerable financial burden. The Chamber continued to retain this firm during 1960 and into 1961.

In conjunction with Campbell-Johnson Ltd. the Chamber helped in the preparation of a television film 'Hong Kong Today' which had a nation-wide screening in the United Kingdom, and in the production of several widely distributed pamphlets, 'The Pattern of Trade', 'A Comparison of People' and 'The First Half'. The Chamber also produced, during the negotiations with the Cotton Board in 1958, a further pamphlet 'Hong Kong and its Textile Industry'.

During 1959, the Chamber undertook public relations activities in the United States, following a visit to Hong Kong by Mr. Henry Kearns, Assistant Secretary for International Affairs in the U.S. Department of Commerce. Mr. H. J. Collar, C.B.E., a former Chairman of the Chamber and currently Secretary of the China Association in London, visited New York and Washington to investigate the position, and, as a result of his recommendations, a prominent Washington law firm, Messrs. Covington and Burling, were briefed to report on the possibility of restrictions being placed on the importation of Hong Kong cotton textile goods. Funds for this purpose were provided by merchants and manufacturers shipping these goods to the United States.

Although undertaking these tasks in the public interest and as a matter of urgency, the Chamber nevertheless continually urged that Government should properly take them over and provide the necessary funds.

While working for the benefit of the whole Colony in overseas markets, the Chamber continued, as it had done since its foundation, to protect the interests of its members nearer home. Several specific examples of its success in this field are to be found on the Colony's Statute

Books. The Inland Revenue (Amendment) Ordinance, 1956, as finally passed into law, owed a great many changes of principle and detail to the work over a period of four years of the Chamber's Taxation and Legal Sub-Committees and the General Committee. After the publication of the Inland Revenue (Amendment) Bill in 1955, the Chamber took the opinion of Queen's Counsel in London, and fortified by this the Chairman, the Hon. J. A. Blackwood, alone spoke in opposition to certain points of the Bill at its First Reading. The result was the removal from the Bill of most of these points before its passage into law in 1956.

Similar radical changes were also made to the Estate Duty (Amendment) Bill in 1958 and the Demolished Buildings (Re-development of Sites) Bill in 1960, largely owing to the representations of the Chamber.

The 1950s saw a substantial rise in the Chamber's membership, to a figure approaching 900, and a great increase in the services with which members were provided. The number of certificates of origin issued rose from 14,000 in 1951 to 48,000 in 1960, while in the latter year approximately 6,500 trade enquiries were handled. To meet these increases, the Chamber now has a full-time staff of 23, including five executives and five inspectors, and in June 1960 moved into large offices in the newly-completed Union House.

An innovation in 1951 was the foundation of the Chamber of Commerce Evening School with the aim of providing commercial education for employees of member firms. This infant flourished, and enrolments for 1960-61 exceeded 500 students for a total of thirteen classes in Commercial English, Shorthand and Book-Keeping.

EPILOGUE

HONG KONG has always been building for the future, even when that future seemed most bleak. This was as true of the various crises which assailed the Colony in the first half-century of its existence as of those in the last half-century. It was during the crisis at the turn of the century that Admiral Lord Charles Beresford visited Hong Kong, and it was at the banquet in his honour that Mr. Granville Sharp anticipated the panegyrics common today. Over many years he had invariably addressed the Chamber at its annual or special meetings. This time he adopted Pericles' famous oration on Athens as his model. He first spoke of the long battle for trade with China, and of the great difficulties the merchants in Hong Kong inherited as a result of the obscurantism and obstructionism of the Manchu Rulers. He graphically depicted the native revenue cruisers constantly at work at Lyemun Pass to the East, at Capsuimun in the West, at Deep-Water Bay in the South, at Mirs Bay and Deep Bay—'overhauling, obstructing, impeding, delaying, intimidating, pursuing, and capturing the junks trading to this Colony, and not infrequently imposing upon, wronging, and robbing their crews'. Hong Kong had in fact been blockaded for nearly fifty years, he said.

'What has His Lordship seen of the development of the estate which has been committed to our care? Have we, as colonists, done credit to our task? Water—a sufficient supply of 13 gallons per head per day for a population of 250,000 souls during the dry season, and much more during the rains. Of Roads—the Northern side of the island is covered. And where could a sample be matched with the three-mile sea wall now being completed? It could well be compared to the Thames Embankment. The dry docks are capable of accommodating the largest ships afloat and were constructed specially to meet the requirements of the Royal Navy. In very few yards, and only in exceptional cases, can work be better done at Home, and in no place can it be done more cheaply.

'As to shipping, I believe Hong Kong is the third shipping port in the world. For 1897 the combined tonnage of vessels was close upon 16 million tons. Our passenger traffic is 5,000 a day throughout the year. The Harbour of Hong Kong is not only one of the most beautiful but also one of the most capacious and best protected anchorages in the world.

'We have Law, Police, and the full Protection of Life and Property.

'As to the Banks, there are eight of them, besides Banking Agencies, The oldest two are engaged in a very extensive and world-wide business; the credit, resources and continued prosperity of the local institution being simply unparalleled.

'Then there are the Manufactories, of which those for refinement of sugar stand forth as magnificent memorials to the success of business knowledge, capital, and industry. Our flourishing Rope Manufactory stands as a most useful handmaid and helpmate to the Royal Navy and the Mercantile Marine. Many other manufactories are growing up in our midst each helping the other to supply the needs of the Colony itself and the world at large.

'Our Buildings may well be described as palatial; of Hospitals we have at present twelve, and others are projected. Our Wharves and Warehouses are co-extensive with the enormous requirements of our Shipping; and they are filled with all manner of stores, both of food and material.

'H.M. Dockyard and Arsenal are both well supplied. We have Lighting Companies, Ocean Cables, Electric Wires, Telephone and Oil Installations. We have Educational, Benevolent, and Religious Establishments, Clubs, Theatres and Literary Societies. The Army, the Navy and the Volunteers are well represented, and their Officers and men find here a healthy and agreeable home. All this has grown up in fifty years. Are we not entitled to encouragement?

'What we think that we most require is to be brought into free and closer business relations with the Chinese Empire as a whole. Our intercourse hitherto has been almost entirely with the Treaty Ports and has extended very little beyond the narrow fringe of the coast. We want the interior to be opened to our trade and manufactures.'

The tale was taken on from that point by Sir Cecil Clementi when, in 1928, the Governor surveyed the 30 years up to that date (which coincided with his long cadet service in the Colony), in his speech preceding the introduction of the Budget.

He pointed out that in 1897 the Colony's reserves amounted to a little under \$549,000. The revenue was \$2,686,914 and the expenditure \$2,641,409. The total civil population was estimated at 243,565. The total shipping engaged in foreign trade, excluding junks, was 12,124,599 tons, of which 67 per cent was British.

On January 1, 1926, the Colony's surplus balances amounted to over \$8 m.; the revenue was \$21,131,581, and the expenditure \$23½ m. The civil population was estimated at 874,420. The total shipping in foreign trade (excluding junks) was just under 27 m. tons, of which 54 per cent was British.

The Colony's revenue had increased in these 30 years more than eightfold, the population was more than trebled, and shipping more than doubled. This, said Sir Cecil, was a 'wonderful record', and the remarkable continuity of the progress made was shown in a Sessional Paper which was that day laid on the table in the Legislative Council.

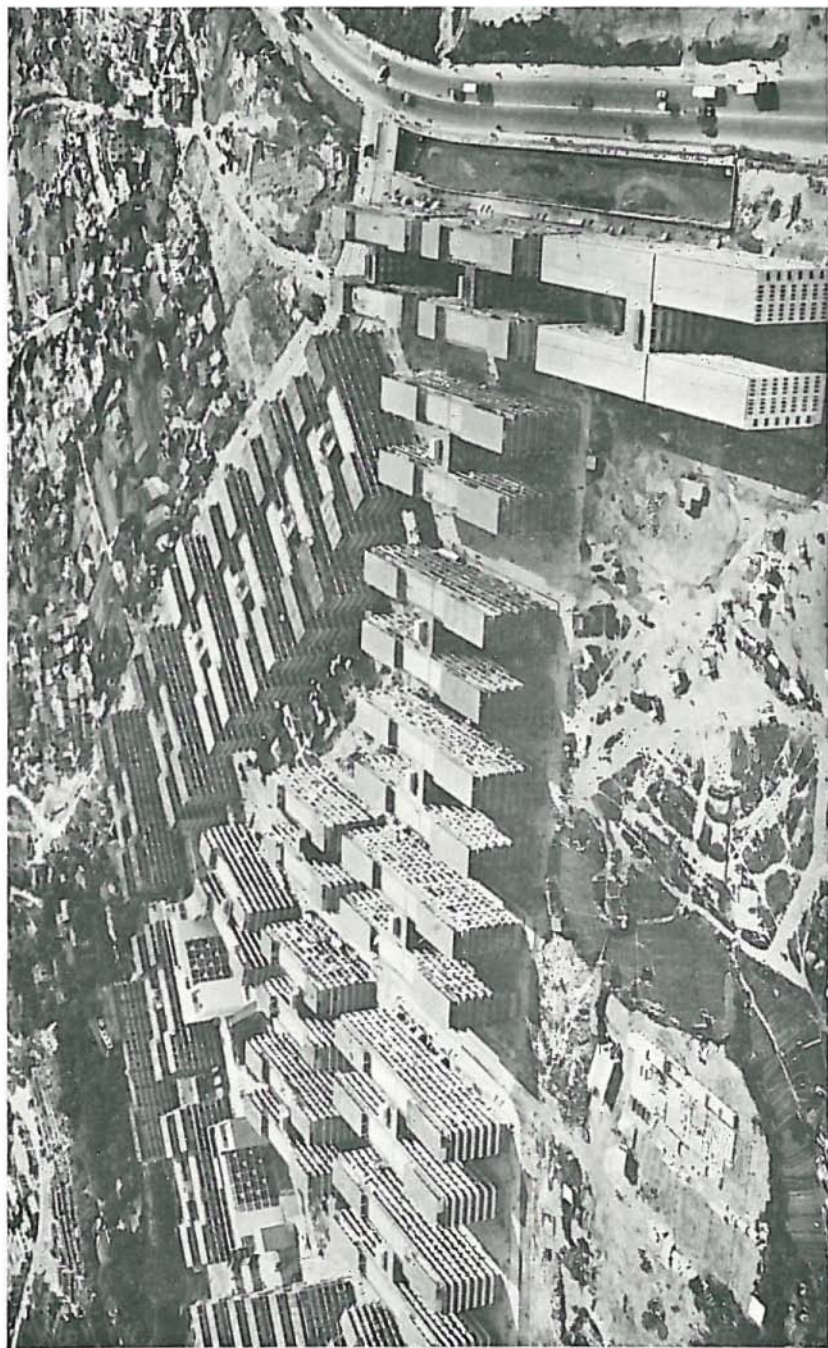
Thirty years later the Financial Secretary, the Hon. A. G. Clarke, C.M.G., reviewed Hong Kong's extraordinary growth during his service in the Colony. When he came to Hong Kong in 1930 revenue was \$27 million; by 1949 it had risen to \$264 million and ten years later to \$665. In 1960 expenditure on public works was \$171 million whereas ten years before it was only \$17½ million.

Commenting on how he himself always underestimated revenue, Mr. Clarke felt that his successor would probably make the same mistake 'because, like me, like many others, he will never be able to comprehend how new and successful industries can be created overnight out of nothing in the face of every possible handicap; how new trade can suddenly start up in some way that has never been thought of before; he, like me, will never be able to comprehend how on earth our enterprising, ingenious, hard-working people can ever manage to accomplish so much with so little.'

Among Hong Kong's most notable achievements is perhaps the extensive creation of new land, very largely by reclamation from the sea. Few realise today that almost the whole business district of the City of Victoria stands on reclaimed land; a process which was started by the first settlers and which is still continuing. Reclamation has provided the fine new runway of the Colony's international airport which projects over a mile into Kowloon Bay. With the constantly growing demands of industry more land must be found. Already a whole new township is being created on about 150 acres of reclaimed land at Kwun Tong and a somewhat larger area is to be added to Tsuen Wan in the New Territories. As industry moves out from Kowloon, so trade, traditionally centred on the Island, is expanding to the Peninsula particularly with the opening of branch offices of established banks and merchant houses.

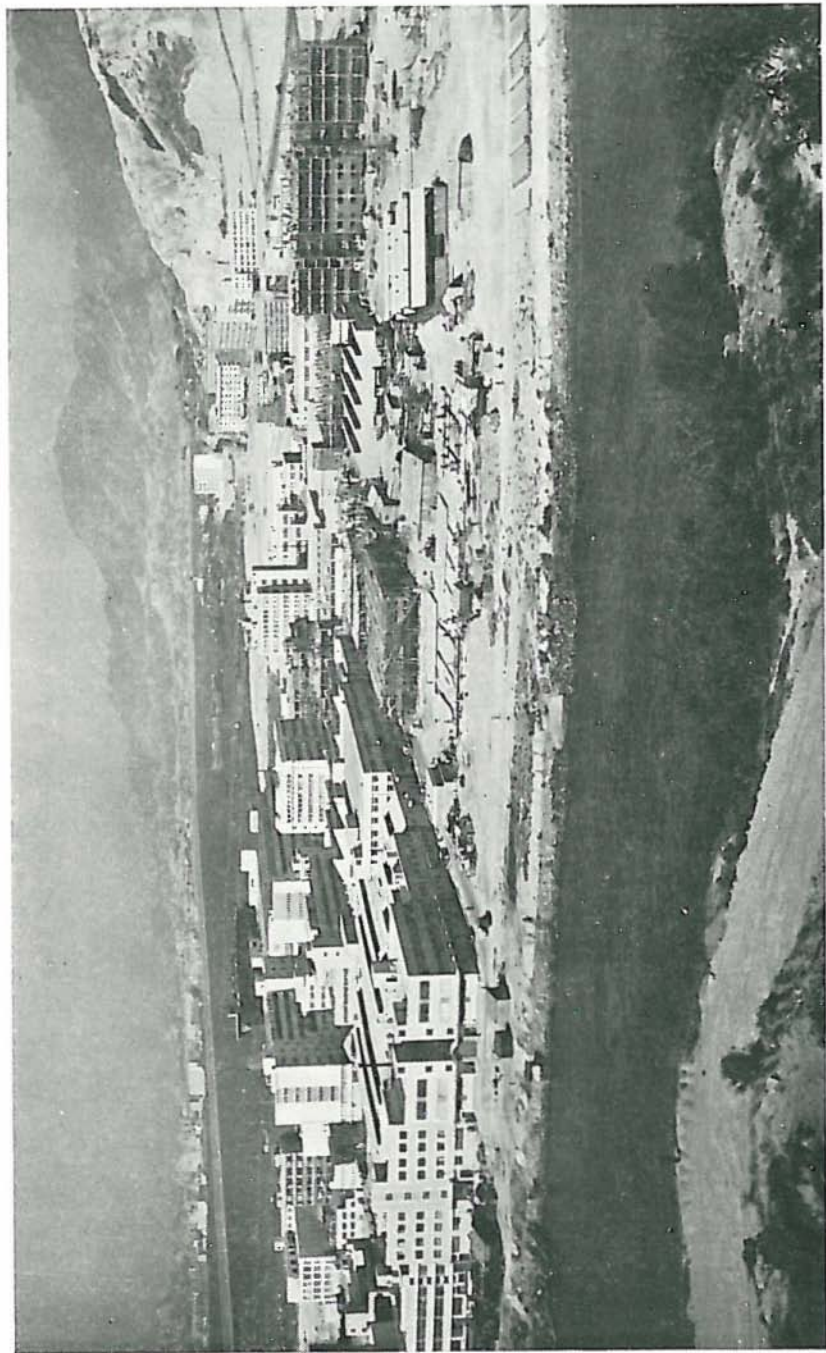
More land too is needed for housing. Resettlement estates for Hong Kong's hundreds of thousands of refugees have already provided homes for some 350,000 and still the work goes on. Flats, offices, factories and all kinds of public works are under construction or being planned. New hotels are going up to cope with the ever increasing influx of tourists who make a valuable contribution to the Colony's trade.

The Hong Kong General Chamber of Commerce has been privileged to record a hundred years of growth, not as a spectator but as an organisation active in promoting the welfare of the community as a whole. There have, of course, been set-backs, but the 'barren rock' of 1841 is now the home of a thriving and virile community and it is with confidence that the Chamber faces the future in the service of that community.



Wong Tai Sin Government Resettlement Estate, a self-contained township, which houses 50,000 people in seven-storey blocks.

By courtesy G.I.S.



The new industrial centre at Kwun Tong which stands on reclaimed land.

By courtesy G.I.S.



THE HONG KONG
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REPORT FOR THE YEAR
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