

Hongkong's Relation to the Philippines and China

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With the inauguration of the Philippine Commonwealth on November 15, 1935, under the terms of the Tydings-McDuffie act and the promised recognition of Philippine independence after a ten-year transitional period, the British colony of Hongkong, besides being a place of great importance to the world's commerce and shipping, has become an increasingly significant political factor that, in the minds of students of international politics, will likely influence the destiny of the Philippines. Although in fact the colonial possession of a foreign country, Hongkong is, in full sense of the word, Chinese, though not China. It is Chinese by virtue of its geographical position and owing to its overwhelmingly Chinese population.

The colony of Hongkong consists of the following:

	Square Miles
Hongkong island, ceded by China by the Treaty of Nanking of 1842, with an area of approximately.....	32
Kowloon peninsula, ceded by China in perpetuity by the Peking Convention of 1860, about.....	4
Territory behind Kowloon peninsula, ceded in 1898 by China in a lease of 99 years, and consisting of the following:	
Mainland.....	286 sq. miles
Neighbouring islands.....	90 sq. miles
	376
Total approximate area.....	412

By water routes and in statute miles, the approximate distances between Hongkong and the important nearby ports are as follows:

Hongkong to:	Statute Miles
Manila.....	727
Canton, capital of Kwang-tung province, China.....	96
Macao.....	40
Shanghai.....	981
Singapore.....	1,674
Amoy.....	334

With modern transportation, Hongkong may be reached from Manila by steamers in about 36 to 40 hours, and by air in about 5 hours.

Hongkong in Chinese means "sweet waters" or "sweet harbour", and it is to the excellence of its harbour, to the fact that it has always been a free port, and to its being the headquarters of European finance in eastern Asia, that Hongkong owes its importance as the principal commercial entrepot of southern China, if not even of eastern Asia. Under British administration, the population of Hongkong has increased from about 5,000 in 1841 to, as per census of 1931, 849,751 of which 19,369 or about 2.28% are non-Chinese, and 830,382 constituting about 97.72% are Chinese.

Geographically, Hongkong is a part of China—Hongkong proper, or the island of Hongkong, being separated from the Chinese mainland by a narrow channel of only about 1.4 of a mile (at its narrowest) known as the Ly-e-Mun Pass. The harbour of Hongkong, consisting of a magnificent sheet of water of about 10 square miles in extent, has been characterized by H. B. Morse as one of the few harbours in the world which may be called perfect.

Hongkong is the greatest distributing port of the world for south China as Shanghai is for north China. Owing to its strategic position as a commercial center and a naval and military base, the international importance of Hongkong cannot be ignored. Its importance in relation to the Philippines will be realized more and more during the Philippine commonwealth period.

The English have a saying: *What we have we hold.* Unless

the Philippines become a part of the British empire it will not be surprising that, because of the British desire to hold and keep Hongkong to maintain its influence in the Far East, the United States will be persuaded by the British, and other European powers with possessions in the Far East, to remain indefinitely in the Philippines to preserve the status quo and balance of power. In 1925, the Shanghai International Settlement police under a British captain shot down some Chinese students in a patriotic demonstration, resulting, among other things, in a boycott against the British. The Chinese boycott in times past of Hongkong, that was severely hit as the population of Hongkong was about 98% Chinese. Since that severe set-back that greatly depressed real estate and other property values in Hongkong and ruined many Chinese banks and commercial interests, the Chinese people, as a whole, have never regarded Hongkong with the same confidence and popularity that they did before.

Since Hongkong is geographically a part of China and its population overwhelmingly Chinese, any important happenings in China in a political or commercial way will in time more or less affect Hongkong.

When the Chinese National Government, in a series of sweeping banking and currency reforms announced in November 4, 1935, devalued inflated and depreciated the *yuán* or Chinese dollar and stabilized it by pegging it to the pound sterling at the rate of approximately 14 9/16 pence per *yuán*, the British government at Hongkong in the following month of December, 1935, was obliged also to depreciate the Hongkong dollar that is now more or less pegged to the pound sterling at approximately 15 11/16 pence for one Hongkong dollar, paper currency, the Hongkong silver dollar having been nationalized or commandeered by the Hongkong government.

At the present New York/London cross rate of approximately U. S. \$493.39 for £100, the Hongkong dollar rate of 15 11/16 pence is equivalent to U. S. \$0.3225, or approximately P.04-8225 for Hongkong \$1 based on Manila banks' selling rate on New York at 1/2% premium, U. S. \$100 for P.201. It is necessary for the Hongkong dollar to approximate, and stay more or less stabilized with, the Chinese dollar for the convenience of its Chinese trade, as Hongkong owes its commercial importance to the Chinese transit trade and to the fact that it is a convenient free port and an entrepot for commerce between south China and foreign countries; hence, it is essential for its currency to be shaped to harmonize with the Chinese ideas and requirements.

It may be stated that in April, 1853, the British enacted a law for Hongkong to have a gold standard, but all proclamations regarding the currency standards had to be cancelled in 1863 because the Chinese ignored the law and bought and sold only in silver dollars (principally Mexican), as the British token shilling coin of silver had, and has, only a gross weight of 87.2727 grains or 0.181818 ounce troy 925 fin with a fine weight or pure silver content of only 80.7272 grains or 0.1681-818 ounce troy so that the metallic value of the silver in the shilling token coin is worth approximately 3.7527 pence, or approximately 3 3/4 d. for one shilling nominally worth 12 pence, based on the present approximate London silver price of, say 20 3/4 pence per ounce troy of sterling silver 925 fin. With London silver price at 20 3/4, the Hongkong dollar of 0.78 fine ounce troy is worth approximately 17.497 pence, and as the Hongkong dollar is more or less pegged at about 15 11/16 pence, it became necessary for the Hongkong government to put an embargo against export of silver for profit.

When the price of London silver declines below 18.6027 pence per ounce troy 925 fin, the embargo will no longer be necessary, provided the Hongkong/London cross rate remains at approximately 15 11/16 pence.