

Hong Kong to revert to China, or is China reverting to Britain?

by Michael O. Billington

On July 4, Britain and the People's Republic of China announced that they had finally reached an accord on the building of a new international airport in the British colony of Hong Kong. This had been portrayed as the last unsettled issue in the preparation to return Hong Kong to the Chinese in 1997. Behind all the drama of this debate over the last year is the more important reality that Britain is only "giving up" Hong Kong, the center of its historical imperial financial interests in Asia (the largest portion being drug money), in exchange for virtually reestablishing its historical imperial control over *all* of China.

Central to this is the re-creation of Britain's favorite colonial outpost of the 19th and early 20th century, the city of Shanghai. Across the river from Shanghai, in an area known as Pudong, a new walled city is being constructed, just as Shanghai itself was built for the exclusive use of the foreign imperial powers, where the primary Western banking interests are establishing headquarters. Pudong will enjoy even more unregulated "free trade" concessions than the already-existing Special Economic Zones established under the reform policies of Henry Kissinger's ally Deng Xiaoping.

The Chinese had objected to the plans for the new airport on the grounds that its cost would drain the Hong Kong reserves at the point that China assumes control in 1997. The agreement to proceed, however, went far beyond the airport. The British agreed to the reestablishment of full relations (which had been at least officially curtailed after the Tiananmen Square massacre) including an announced trip to Beijing by British Prime Minister John Major to sign the deal. Sources close to the Beijing government have confirmed that Major is rushing to Beijing—he will go early in August—in order to beat Japanese Prime Minister Toshiki Kaifu to be the first major head of state to visit China since the 1989 uprising. The Anglo-American interests are particularly anxious that the Japanese and the Chinese do not come to any arrangement outside of the control of the new world order dictated by British finance and U.S. military power.

Also in the deal was the agreement that Britain would serve as Beijing's policeman in Hong Kong even before the 1997 turnover. Within a week of the decision, the British immigration officials in Hong Kong blatantly ignored the

official assurances of free speech in the colony and refused entry to eight overseas Chinese students with valid visas, who had come from around the world for an international meeting of several groups involved in the democracy movement. Beijing had complained that such a meeting was "subversive" and was not tolerable.

As an interesting sidelight on the deal, there was a period of four days after the agreement was secretly reached in Beijing on June 30 before it was publicly announced on July 4. In that period, Chinese financial outlets and agents in Hong Kong had a field day buying up futures contracts in the Hong Kong stock exchange. It is not known how many billions were made when the official announcement immediately drove the market up. The British authorities in Hong Kong reported that the acknowledged scam would not be criminally investigated.

The British never left

Historically, the British banking houses never left the Chinese mainland, even during the xenophobic heights of the Korean War and the Cultural Revolution. An *EIR* study in 1989 showed that the largest British banks in Hong Kong, the Hongkong and Shanghai Bank (the Hongshang) and the Chartered Bank, both infamous for running the world opium trade starting in the 19th century, maintained their offices and staffs in Shanghai after the 1949 communist revolution. Their services have never been interrupted! The Bank of East Asia, another Hong Kong bank founded in the 20th century, controlled by Y.K. Kan, a partner in Kissinger Associates, operates in Shanghai and was a primary force behind the establishment of the first Special Economic Zone in Shenzhen. Hong Kong, i.e., Britain, is by far the largest investor in the various free trade zones on the mainland, which have already reestablished cheap labor "concessions" areas very similar to the concessions of the 19th century.

It must not be forgotten that Hong Kong is a *colony*, not just a puppet state. The Hong Kong economy is the British economy. This was illustrated this year when the Hongshang, which, although a private bank, also functions as the official central bank of Hong Kong, moved its headquarters to London. Its roll as the central bank continues, including the printing and issuing of currency. Its unregulated secret ac-

counts and reserves, allowed under Hong Kong law, will continue. The Deng regime announced that they were understanding of the move.

The drug angle

As is now well publicized, the world is experiencing an unprecedented flood of high-quality China White heroin. One bust in California in June netted 1,080 pounds of pure China White worth about \$3 billion, almost as much as was seized in all of 1990. The production of most of this heroin in China itself has not been a very well hidden secret since 1970 when the Kissinger team, preparing to reestablish relations with Beijing, ordered the redrawing of the maps of the Golden Triangle prepared by the U.S. narcotics authorities in the 1950s, such that China was completely left out. Backward hill tribe leaders of the Burmese jungles are now fantastically credited with being the world's largest drug barons. In fact, the Chinese retain their close collaboration with British banking largely to launder the enormous flow of drug money, the largest single source of revenue in the world economy.

Zhou Enlai, in 1965, told Egyptian President Gamal Abdel Nasser about the U.S. troops in Vietnam: "Some of them are trying opium. And we are helping them. . . . Do you remember the West imposed opium on us? They fought us with opium. And we are going to fight them with their own weapons. . . . The effect this demoralization is going to have on the United States will be far greater than anyone realizes."

Now, with the rapid collapse of the Chinese social structure over the past three years, the drug problem has exploded within China, with the population turning to drug use. Two tons of illicit heroin (about \$12 billion street value) were seized within China this year, and dealers involved in sales to Chinese are being executed by the score. But the old drug routes out of Yennan Province, the real center of the Golden Triangle, into Myanmar (Burma), India, and Hong Kong, are being rebuilt and modernized, and the British banks controlling the flow are now far more conveniently located within the country.

In the midst of this shakeup in Hong Kong, the British seized the Bank of Credit and Commerce International. BCCI has three primary centers: London, Abu Dhabi, and Hong Kong. For reasons not revealed, the Hong Kong branch was left open for several days, then seized for liquidation. Depositors may receive 25¢ on the dollar. While unraveling the strings connected to this CIA- and British intelligence-connected bank will prove most interesting, it is even more interesting to note who is shutting it down, and why. The British press outlets in Hong Kong are reporting that the BCCI is suspected of drug ties through connections to the Myanmar government, and that the drug lord from the Burmese jungles, Khun Sa, laundered his money through the Hong Kong branch of BCCI. While likely true, this further whitewashes both the drug operations of the major Hong Kong banks, and the role of China in the drug trade, conveniently timed for the transformations now under way.

Algeria after the Islamic Salvation Front

by Jacques Cheminade

The author, president of the Schiller Institute in France, has recently traveled to Algeria as well as to some of the newly liberated countries of Eastern Europe. His article was adapted by Dana S. Scanlon from a French version published in the July 11 issue of the newspaper Nouvelle Solidarité.

The government and Army of Algeria have clearly demonstrated that they do not intend to allow the Islamic Salvation Front (FIS) to bring anarchy down upon the country.

In the wake of confrontations throughout the night of June 4 between Algerian security forces and fundamentalists from the FIS, during which six people reportedly died, President Chadli Benjedid had declared a state of siege. The government was dismissed, and multi-party elections which had scheduled for later in June were postponed. The FIS had been conducting increasingly riotous protest actions for almost two weeks, denouncing the ruling FLN party and labeling President Chadli an "assassin."

Now, less than two months later, and with a new government in place, the extremist leadership of the FIS has been broken, the ringleaders Abbassi Madani and his lieutenant Ali Belhadj will be put on trial, and the disappearance of the FIS's "security squads" from the capital, Algiers, indicates the degree to which its structures have been dismantled.

The danger of an uncontrolled disintegration has been avoided. But the most difficult tasks still lie ahead.

First, some accounting of responsibilities for how the situation came to the present state of affairs must be carried out. Second, a program for national economic development, which can unite all Algerians, ensure their democratic participation, and wipe out the unemployment and misery which fed the FIS uprising, must be implemented.

An accounting of responsibilities

In his severe indictment issued before the National Assembly, the new prime minister, Sid Ahmed Ghozali, placed the blame equally on the shoulders of the nomenclatura of the FLN (the National Liberation Front, formerly the sole party in Algeria) and the FIS leaders, who stepped outside the bounds of legality, first with tactics of intimidation, then