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## The East Asian Miracle and Air-Transport: Cathay Pacific and the British Empire of the 1960s

Kazushi UENO

**Abstract:** This survey attempts to examine Hong Kong's civil aviation and the British Empire during the period from the 1960s through the 1970s. Due to Japan's economic development in the postwar era, Hong Kong began to be regarded as an important trading port and processing base, linking Japan, Korea, Taiwan, and Southeast Asia. In this context, it is worthwhile to examine Hong Kong in terms of its air transport as one of its main industries was the processing of semiconductors and export of electrical appliances. In addition, as the postwar influence of the British Empire in Asia was increasing and is considered the main topic of recent historiography. This paper use Cathay Pacific, which is Hong Kong based airline, as a case study. The acquisition of Hong Kong Airways in 1959 caused gradual expansion of its route network and started to coincide with the trading network of Hong Kong. This paper attempts to focus on the activities of that company as the starting point of Asian economic development, rather than the mere consequences of the competition between conglomerates in Hong Kong. The study will expand the historiography of Hong Kong and show it as a processing and trading post.

### Introduction

On 30<sup>th</sup> June, 1997, the symbol of the British Empire in East Asia ceased to exist, and the last colony of the British Empire was handed over to the People's Republic of China. While it existed, Prince Charles witnessed the decline of his great grandmother's prosperity, listening to the resounding melody of the bagpipe, played by the British Army. The City of Hong Kong, which is called the "Pearl of the Orient", was a geopolitically and diplomatically important port for the British Empire. However, the red flag with the Bauhinia Blakean started to stream instead of the blue flag with the lion.

On the other hand, Hong Kong's economy was already independent of the British Empire on that historical date. The world had already moved to the "Post-colonial" world from the 1960s<sup>1</sup> on. The United States had already controlled the western part of the Pacific Ocean, including Japan and South Korea to oppose the USSR during

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<sup>1</sup>A.G. Hopkins. "Rethinking Decolonization". *Journal of imperial and commonwealth history*, 2017, Vol.45(5). pp.742

the Cold War. Its diplomatic strategy had a strong influence on the East Asian economics and prompted the East Asian countries' unprecedented development. As a result of this process, the East Asian Miracle was reported by the World Bank in 1980s. According to Kaoru Sugihara (2020), the growth of Eastern Asian economics can be attributed to "Inter Asian Trade".<sup>2</sup> Besides that, considering the economic development of East Asia, the connection between Japan, South Korea, Taiwan, and Hong Kong under the leading power of the United States in the 1960s played a crucial role in their development. What was the characteristic of that region are their forms of industry, which mainly consist of the semiconductor production and toy industries.<sup>3</sup> Taking this into consideration, I assume that Hong Kong's air transport should be discussed within the context of the economic history of the region. Hong Kong's economy developed as an Asian Factory in the 1960s and transformed into an Asian financial city by the 1980s.

To explain the process, it is necessary to focus on the air transport in and over Hong Kong and the Hong Kong-based airline Cathay Pacific. However, Cathay Pacific was not a major airline before the 1960s. Currently, Cathay Pacific is one of the most globally networked airlines in the world, and Chep Lak Kok, the Hong Kong international airport, handles the largest number of freight and passengers in East Asia. Regardless of its prosperity today, the early days of Cathay Pacific were sombre, and the rival airline, Hong Kong Airways, was a huge competitor for Cathay Pacific. My hypothesis is that the turning point for Cathay Pacific was "1959", when it acquired Hong Kong Airways at the suggestion of the Hong Kong Government.

This paper is the plan for my master thesis, which would examine the Cathay Pacific and Hong Kong's trading network in the 1960s and contribute to the historiography of the Macro history of the Eastern Asian economics. The results of my research will contribute to the discussion of the independence of Hong Kong economics before 1997.

### **General Context: From the Imperial Gateway to the Asian Factory**

In this chapter, I quote the history of research on Hong Kong. Since 1843, when the Nanking Treaty was signed, Hong Kong played an important role as a trading port within the network of the British Imperial Cotton trade. Hong Kong imported a large amount of cotton flowers and cotton fabric from the colonial India via the strait's settlement and Japan, especially Kobe and Osaka until 1930s. Therefore, Hong Kong was very important for the flourishing of the British Empire in East Asia.

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<sup>2</sup> K. Sugihara, *"The East Asian Miracle in Global History"*. (Nagoya: Nagoya University Press. 2020) [杉原薫『世界史の中の東アジアの奇跡』(名古屋大学出版会、2013年)] pp.481

<sup>3</sup> Shigeru Akita. "From Empire to Development Aid" (Nagoya: Nagoya University Press. 2017) [(2017)] Part2

What changed Hong Kong dramatically was not WW2; Hong Kong was occupied by the Japanese army but “Mao Zedong”, and the voice of the Declaration of Independence of the People’s Republic China on October 1, 1949. Besides that, the opposition against the Korean War by the People’s Republic of China broke out in 1949, and it brought about opposition against the People’s Republic of China among the world society. Finally, the United Nations declared the abuse against the People’s Republic of China in 1951.

After those events, Hong Kong’s unique status has dramatically changed<sup>4</sup>. Until 1951, Hong Kong had been an important port for the British Empire, but after that year, the role of the East Asian ports dramatically decreased, except for the fundamental products of water and raw foods<sup>5</sup>. The new status of Hong Kong was the “Factory of East Asia”. Hong Kong was famous for its apparel industry in 1950s. Due to the “Communist” revolution, many merchants escaped from Shanghai to Hong Kong with their assets. Their technology was brought to Hong Kong directly, and persistently; thus Hong Kong’s economic structure has become more sophisticated. The development of secondary industries, such as those related to the production of toys and radios, and especially the plastics industry<sup>6</sup>, was thriving and became the supporting industry for the entire Hong Kong through the 1960s. However, it is important to emphasize that trade with Japan, Korea, and Taiwan played a significant role in that development. This was also closely linked to the US East Asian policy during the Cold War.

The export of the products from Hong Kong to Southeast Asia and the U.S. helped Hong Kong to achieve remarkable economic development in the 1960s. These were the factors of Hong Kong’s economic development, recognized by the previous studies.

## II. Acquisition of Hong Kong Airways in 1959

This chapter examines the result of the acquisition of Hong Kong Airways in 1959<sup>7</sup>.

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<sup>4</sup> Shigeru Akita. “From Empire to Development Aid” (Nagoya: Nagoya University Press. 2017) [秋田茂『帝国から開発援助へ』(名古屋大学出版会、2017年)]Part2.Rei Kojima.”The Industrialisation of Hong Kong: Nodes of Asia” (Institute of Developing Economics, 1989)小島麗編『香港の工業化:アジアの結節点』(アジア経済研究所、1989年)

<sup>5</sup> Shoichi Yokoyama 'A Study of the Interdependence of Hong Kong and the PRC from the Perspective of Trade Relations', “*Annual Review of Economic Geography*”, Vol. 12, No. 1, pp. 56-68. (横山昭市「貿易関係よりみた香港と中共の相互依存性の考察」『経済地理学年報』第12巻第1号 pp.56-68)

<sup>6</sup> Shoichi Yokoyama 'The development of the plastics processing industry in Hong Kong and its international competitiveness', “*Human Geography*”, 1965, vol. 17, no. 6, pp. 609-629. (横山昭市「香港におけるプラスチック加工業の発達とその国際競争力」『人文地理』1965年17巻6号 pp.609-629)

<sup>7</sup> Acquisition of Hong Kong Airways: the detailed process was indicated by John (2022) and Robert (2020).

In the 1940s, Hong Kong had two major airlines. One was Hong Kong Airways, a joint venture between the BOAC and Jardine Matheson, and Cathay Pacific, which was acquired by the Swire Group. In the early years, Hong Kong Airways was also a priority for the HKMA and they supported it. Thus, in 1949, when the Government was concerned about the over-competitiveness, Hong Kong Airways was allocated the favoured northern part of Hong Kong, including Mainland China, for route demarcation. Cathay Pacific was allocated to the southern part of Hong Kong Island. At this time, Hong Kong was still seen as a "port of East Asia" and an important city with access to the hinterland of China, so the potential demand for air travel was high.

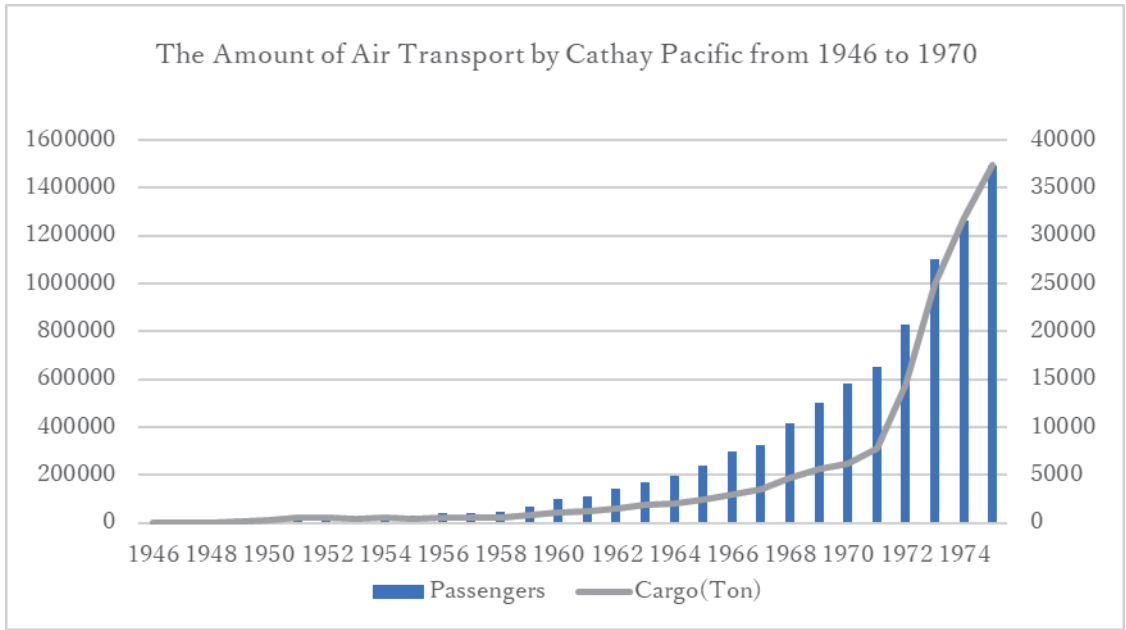
However, as mentioned in the previous chapter, the UN Condemnation Resolution of 1951 brought about a major change in the power structure of the two Hong Kong Airways: after 1951, Hong Kong Airways stopped operating on the mainland China routes and had very difficult routes to use before the opening of its Japan– Korea route in 1953. Cathay Pacific by contrast, would steadily survive throughout the 1950s by utilizing its route network to Southeast Asia.

In 1959, the Hong Kong Government approved the takeover of Hong Kong Airways by Cathay Pacific, with BOAC acquiring 25% of the shares, and strengthening Cathay Pacific's role as part of its imperial air network. In particular, the basic route network formed in Southeast Asia was built on the basis of the route network formed by Hong Kong Airways, which was operating in Japan and South Korea, and the route network now extended all the way through East Asia. Cathay Pacific now served most of the major destinations under the US influence during the Cold War.

In other words, following its takeover in 1959, the wellbeing of the Cathay Pacific's network coincided with Hong Kong's economic development and reflected its trade structure from the 1960s onward, as mentioned earlier. To prove that connection is the purpose of my research.

### **III. Dramatic growth of Hong Kong and Cathay Pacific**

This chapter will focus on the reality of Cathay's profit and transport in 1960s. Cathay Pacific took a giant leap forward in the 1960s, which led to great growth in the 1970s and 80s. The actual transport statistics are analyzed in this chapter. The graph below indicates the general amount of Hong Kong's air transport from 1946 to the 1960s. As the graph indicates, from around 1960s, Cathay Pacific has started to grow dramatically.



From Gavin (1988) *“Beyond the Lion Lock: The Story of Cathay Pacific”*

The reason why Cathay’s cargo transport increased in 1970s is the introduction of B707 and L1011, but I do not focus on those tie sin the paper. This is because the reform and liberalization policy changed Hong Kong’s status and made it a “port” again.

This trend was caused by Cathay’s fleet plan, which introduced larger airplanes. A prominent example of it is Convair 880. The table below indicates the capacity of the two aircraft. One is DC-3, operated by Cathay in the 1950s, and the other is CV880, operated during 1960s. DC-3 was used as a military cargo plane during WW2 and was converted into a commercial operation aircraft after the war. As the former graph shows, the demand for air transport of both cargo and passengers during the 1950s was not significant. However, the graph indicates that the number of passengers had increased dramatically in the 1960s. CV880 is a medium-haul airplane invented by an American designer.

The airplane is infamous for many accidents and crashes in 1960s, but for Cathay, the airplane was a reasonable aircraft to introduce and made it easy to catch up with the “Jet-Age”. This type of aircraft was suitable for Cathay Pacific as it was a small regional airline.

#### *Capacity of Aeroplane of Cathay*

Name of the airplane	Start of the Operation	Capacity (PAX)
DC-3	1946	28–32
CV880	1962	Maximum 110

Besides that, a telegram from the Board of Trade, an institution of the British government, says<sup>8</sup>:

1. *British Airways' interest in CPA*  
 .....  
*Cathay has been a profitable airline for some years now and operates mainly in the Hong Kong, Japan, Thailand, and Singapore area, complementing other British Airways trunk route services. Its projected fleet strength is expected to grow from 4 B707s and 7 Convair 880s in 1972–73 to nine B707s and 4 Convair 880s in 1975–76. Profits before tax are expected to grow from about £1 million in 1972–3 to 5 million in 1975–6. BAAC regards this forecast as realistic.*

2. *Possible suitability of John Browne for nonexecutive appointment to the BAB*  
 .....  
*Officials have been impressed by the Company's performance, which must be one of the few airlines in the world that has maintained a consistent record of profitability recently.*

As the document above shows, the Board of Trade had an optimistic view on Cathay Pacific. This document was composed in the early 1970s. The British government licensed Cathay not as a “Colonial Airline” but as “Regional Airline”<sup>9</sup>. This document proves the success of Cathay Pacific during the 1960s: Cathay was decolonized in terms of the basis of its network.

What my master thesis will attempt to prove is “the shift of connection between Cathay’s network” and “Cathay’s growth in the 1960s”. To prove this, it is necessary to collect documents about the amount of cargo transported by Cathay Pacific in the 1960s. The main focus of my thesis would be on the semiconductors from Japan. In 1959, the Japanese government deregulated the transistor exports. My thesis will contribute to both the Japanese history and the history of Hong Kong. This is my proposal for my master’s thesis.

### **Conclusion: Hong Kong as a “Pearl of East Asia**

This paper focused on the Hong Kong Airline, Cathay Pacific, and explained the plan for examining the impact of air transport by Cathay Pacific on Hong Kong’s trading network. As the preceding chapter successfully pointed out, the status of Hong Kong in the 1960s was an “Asian Factory” and no longer just the port, used only for the imperial trading network, for Britain. The products made in Hong Kong also dramatically changed from the 1950s to the 1970s.

From that standpoint, I propose two themes for the thesis that emerge as a part of the developments in the area in those times of change. The first one is about the

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<sup>8</sup> TNA BT245/1723 1B.

<sup>9</sup> Chandra D. Bhimull, “*Empire in the Air*.” New York: New York University Press; 2017.



development of Japan in the 1960s, and the second one about Hong Kong's decolonization.

First, regarding the economic success of Japan in the late 20<sup>th</sup> century, patriotic and Marxist analysis is the mainstream of historiography. The depression in the Japanese economics in the last two decades brought about far-right historical perception. Most studies in Japan, which are well known among the general population, are still based on the borders of the nation-state. South Korea, Taiwan, the People's Republic of China, and Hong Kong played important and significant roles in the process of the "East Asian" miracle. This theory can sweep away such anti-East Asian and patriot perceptions in Japan. East Asia has always been connected, and the borders mean nothing in the context of global economics.

Second, Hong Kong could not be discussed within the "general" framework of decolonization even before 1997; Hong Kong's economy was already independent of the British imperial trade system. The economic system and development of Hong Kong after 1960s was not supported by the People's Republic of China. As the Western mass media reported, the government of Beijing started to oppress and "colonize" Hong Kong. Deleting the history of an independent Hong Kong and stressing the connection between Mainland China and Hong Kong through "Education" and "Museums". Of course, speaking of water and groceries, Hong Kong imported a large amount of those from southern China<sup>10</sup>. In this sense, Hong Kong

On 1<sup>st</sup> October, 1949, Mao Zedong declared the independence of the People's Republic of China in Beijing, two thousand kilometers away from Hong Kong, and the decline of the Empire in East Asia had already become inevitable. However, this does not mean that the 1960s's Hong Kong's prosperity is attributable to the Beijing Government and is a part of the national History of Communist China. It is necessary to consider Hong Kong as an area of an exceptional status in the regional economic history of East Asia, which includes Japan, South Korea, Communist China, and Taiwan. The Brightness of Hong Kong's nightscape seen from Victoria Peak was not only the view of the Eastern Pearl but also the Brightness of East Asia itself.

Kai Tak Airport was the center of East Asia, and CV880 taking off from the airport carried Hong Kong's hope in its body.

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