

China's window on the world

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has had a distinguished career as a diplomat, barrister, local councillor and MP (for Monmouth, 1966-1970 and Swansea East, 1974-2005). He was Chairman of the Welsh Affairs Committee from 1981-1983 and Foreign Affairs Committee from 1997-2005, and was Opposition Spokesman on Foreign Affairs, Defence and Legal Affairs at different times between 1983 and 1997. He was created a life peer in 2005.

There is a zest and a zing about Hong Kong today. The Special Administrative Region (SAR) exudes optimism and self-confidence, and there is much to be optimistic and confident about. Lofty in its buildings and ambition, clean in its streets and governance, it works and it works well.

The people are full of entrepreneurial drive, yet friendly and informal. It glories in its role as a bridge between East and West, an understanding interpreter of one to the other. Europeans admire the search for internal consensus but also the readiness to challenge authority, as manifested by the massive demonstration which stopped in its tracks the proposed sedition law, deemed to be a threat to human rights.

There is a plethora of civic organisations concerned with social and environmental problems, particularly in respect of the West Kowloon Cultural District and air and water quality. The press is free and probing. There is both rule of law and a free market economy, although some critics question the cosy property relationships which appear to obstruct competition, as TESCO found to its cost when it tried to establish a local presence.

The SAR's positive attitude survived the sometimes anxious moments in the decade or so prior to the transfer of power in 1997. The deep suspicions of British intentions of some on the Mainland were confounded by that transfer; what could have been a con-

tinuing source of mistrust and conflict was transformed into a springboard for improved bilateral relations between the People's Republic of China and the United Kingdom.

The concepts of "one country, two systems" and a "high degree of autonomy" work, as both the Mainland and the SAR understand the rules of the game. Yet there are occasional glitches. Eternal vigilance authority by the democratic forces must continue to question so that the mainland does not succumb to the temptation to override Hong Kong's cherished freedoms or fail to understand the SAR's unique culture – proud to be Chinese but committed to democratic norm. In the Chief Executive's 2005-6 policy address at the Legislative Council Meeting on October 12 he stressed "pursuing excellence in governance" and "fostering harmony in the community"; Chinese values but with Hong Kong characteristics.

To understand the new Hong Kong one needs a specialist glossary to define such terms as "patriotic", which has very specific connotations regarding attitudes towards the PRC, and "political parties", which are, in our terms, largely interest groups with low membership – the largest of the parties the Pro-Beijing "Democratic Alliance for the Betterment and Progress of Hong Kong" has only about 3000 members.

The resilience of the Hong Kong economy is well illustrated by the remarkable way in which it has overcome two major crises since the handover in 1997 – the general Asian economic downturn and the SARS epidemic. Thus growth rates are impressive and negative equity now largely disappeared from the housing market. The strategy, in the words of the policy address, is to "leverage the mainland and engage outsiders globally, to strengthen our advantages, to encourage entrepreneurship and fair competition under the principle of 'Big Market, Small Government' and to consolidate our position as Asia's world city and our role as a key international financial, trading, transportation and information hub of China". Thus the business of Hong Kong is business. It is said that some companies which decided to move, for example to Shanghai, are moving back to Hong Kong. The attractions are clear; world class communications infrastructure, including the world's greatest container port and top flight air freight, but above all a human infrastructure, pre-

Jockeys in full flight at Hong Kong's Happy Valley race course



mier division financial services and the rule of law, which gives clear confidence that contracts will be honoured and that judges will enforce justice competently and fearlessly. As a beacon of free enterprise, it is not surprising that Hong Kong will proudly host the WTO in December.

But democrats need to be alert. There have been examples of the PRC's making controversial interpretations of the Basic Law, perhaps technically within the law but without the necessary consultations and sensitivity to Hong Kong's concerns. The latest example was the decision over the length of office of the new Chief Executive; whether he was to complete the unexpired part of his predecessor's term or start a new five-year term. The PRC's decision, which resulted in an embarrassing *volte face* by the Hong Kong Secretary of Justice, can be construed as putting the new Chief Executive on two year's probation. In his policy statement in October, Donald Tsang included only those measures capable of being implemented within two years. Yet given his past, his "colonial knighthood" and his devout Catholicism it was a pragmatic gesture by the PRC to accept him. He has a most impressive track record of efficient administration and is very popular in Hong Kong.

On constitutional development, Beijing set out the parameters of change in April 2004 with a minimalist agenda; no direct election for the Chief Executive in 2007, or for the Legislative Council (LegCo) in 2008. They might better have trusted the good sense and realism of the people of Hong Kong. It is true that democracy has fallen lower on the public agenda of concern but it could easily rise again at a time of challenge, when safety valves of accountability would be necessary.

In September, Hong Kong Disneyland was opened on Lantau Island, a strange intrusion of the United States' values to Chinese culture. But the locals, and the many mainlanders who take advantage of the individual visitor scheme, appear to love it. Tourism from the mainland, at 12.2 million last year, almost doubled the figures for 2002.

It is not just in tourism that relations with the mainland are developing apace. There has been massive investment from Hong Kong into neighbouring Guangdong Province, a seemingly successful marriage between Hong Kong capital and expertise and the low-cost and mass labour force of the PRC. And the movement is not just one way; over the past year 257 mainland Chinese companies received approval to invest HK\$ 8.03 billion in Hong Kong. Mainland companies raised HK\$ 113.9 billion on the Hong Kong Stock Exchange in 2004 - double that in 2003.

A less welcome movement is environmental degradation. Hong Kong suffers from air and water pollu-

tion from the mainland including that from factories belonging to Hong Kong-owned companies. Food safety concerns were high on the agenda of the groundbreaking visit of the whole of LegCo to Guangdong on September 25-26.

A key test of the confidence of the mainland in the relationship with LegCo as a whole will be the next steps. Why have not all LegCo members been given open visas? Will there now be visits to Shanghai, even to Beijing, and at what frequency?

There have been remarkable increases in investment and trade relations with the mainland, particularly of course with Hong Kong's hinterland based on and stimulated by the Closer Economic Partnership Arrangement (CEPA).

Really exciting are prospects opened by the proposed new bridge to Macau and Zhuhai. This is a massive civil engineering project which will make accessible a new and relatively underdeveloped part of the mainland to Hong Kong enterprise.

Required reading on the general prospects in the region is Michael J Enright's "Regional Powerhouse: The Greater Pearl River Delta and the Rise of China" (John Wiley, 2005).

There can be many scenarios about the nature of greater economic and political convergence between Hong Kong and the mainland. Much depends on political developments within the PRC, and Beijing's recently published document on the definition of democracy was not encouraging for democrats. Yet the PRC has largely confounded the sceptics in its conduct towards Hong Kong since 1997; the goose still lays the golden egg and has large freedom to roam. On this basis, and observing its exuberance, dynamism, efficiency and attachment to human rights and the rule of law, the wise assumption is for a most positive future for Hong Kong. **F**

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Teams compete in Hong Kong's annual dragon boat festival (Tueng Ng)



Photography by William Furniss