

ERIC
MARGOLIS



Hong Kong's clouded future

Hong Kong's return to China in 1997 has been greeted all around by smiles and optimism. But shotgun weddings always engender a few fears. To a lot of Hong Kong residents, the future looks a great deal brighter in Toronto than Kowloon.

At the same time, Western corporations, hungering at the prospect of the billion-person Chinese market, are rushing into Hong Kong. Unlike many Hong Kongers, they want to be absorbed by Mother China.

This bubble of optimism depends, of course, on the continuing goodwill of the regime in Peking. Deng Xiaoping, China's remarkable leader, seems to have placed the country firmly on a course towards freer enterprise, more liberty and rising prosperity.

Hong Kong has been granted virtual autonomy in all areas save defence and foreign affairs until 2047; then, it will be integrated into China. These remarkable concessions are the result of China's commercial need for Hong Kong. They are also clearly intended to send an alluring signal to Taiwan.

The five million entrepreneurs and workers in Hong Kong provide China with almost 40% of its hard-currency earnings. Much of China's exports, imports and finance run through the British colony. For this reason, China has allowed "one nation, two systems."

China badly needs a second system. In terms of commerce, transport and communications, China is still in the 1930s. Before it can become, as some have predicted, the economic colossus of Asia, China will need at least one generation of Hong Kong entrepreneurs.

Emergence from socialism

But will these needed entrepreneurs stay put? Chinese, never known for slow wits, are well aware that Peking's continued beneficence depends on the regime in power. What will happen after 80-year-old Deng departs?

Most observers believe that China will hew to its liberalizing course, gradually emerging from socialism into a mixed economy. In fact, a happy home for Hong Kong. Yet another familiar with Chinese history also knows that trouble is almost always just around the corner.

Suppose leftists — grouped under the sobriquet Gang of Four — resurge into power, turning back Deng's policies. Almost any change in leadership in Peking could place the delicate Hong Kong Special Administrative Region in jeopardy. Residents of Hong Kong cannot help but be skittish. When you live atop a volcano, any tremors assume importance.

I also see a more subtle problem. A little-noticed part of the agreement makes the presently unconvertible Chinese yen convertible into Hong Kong dollars — that can be cashed into other world currencies. This makes China the first communist nation with a convertible currency.

The free flow of money, the influx of Western firms and the hothouse of entrepreneurship that is Hong Kong will surely make the former colony, nearby Canton and their surrounding province of Guangzhou, the economic centre of China.

Hong Kong-Canton will act like a magnet, drawing southwards the surging forces of economic growth that are now being released across China. The twin cities may soon replace the northern metropolis of Shanghai as the nation's economic epicentre. Here is a historical danger.

Shanghai, north-central China, is a long-time political and economic rival of Canton. People in the two areas, each the size of a Germany or France, do not even speak the same language. Most important, Shanghai has been the traditional centre of left-wing radicalism in China, the powerbase of the Gang of Four.

Resentment and bitterness

As Hong Kong-Canton supplant their northern rival, Shanghai, we should not be surprised to see resentment and bitterness grow in the great northern city. Inevitably, its powerbrokers will ask, "why are they allowed to do things in the south that we cannot do here?" Socialism in Shanghai will vie with free enterprise in the south.

Regional conflict is an ever-present danger to China and the greatest threat to its economic development and independence. China is a fragile, unstable mosaic of peoples, language, geography and culture: It has been fully united, in its present form, only since 1948. The least jolt could cause China to shatter.

For these very good reasons, the grafting of capitalist Hong Kong onto the socialist body of China may produce some very nasty reactions. Some observers think that China will grow to resemble Hong Kong; others, that Hong Kong may be forced to become like China.

Whatever the outcome, China and Hong Kong will be unalterably changed. It will be a fascinating historical experiment. Fifty years from now, Hong Kong could be another Venice, a beautiful, lifeless remnant of past glory. Or, it could be like Milan that vitalized a newly united Italy.

Residents of Hong Kong are watching all of this with awe, apprehension and excitement. As one businessman said to me, "Opportunities for us will be stupendous. But I'm keeping my money in Canada."

(Eric Margolis is a member of the Canadian Institute of Strategic Studies)