

Hong Kong and Market Liberalism in a Rising China

(A talk given to the National Liberal Club, London on 17 February, 2003 by Andrew K.P. Leung, Director-General, London, of the Hong Kong Special Administrative Region Government)

Opening

- Welcome to the Year of the Ram.
- Asked my son. Due to give a speech to the National Liberal Club. But what sets the Liberals apart from the Conservatives and 'New Labour'? Replied: a VVG question indeed. Why don't you ask the audience.
- As this is not a TV show, in desperation, I turned to my Book of Quotations:
'The liberal is accustomed to appearing to be radical to conservatives; to be counter-revolutionary to radicals; and to being a fink (sic) to activists of all persuasions.' – Harry Ashmore
I leave you to agree or disagree with him.
- Not how liberalism is developing in this country or indeed, in other advanced countries.
- But how what I see as liberalism blossoming in the world's largest and fast growing developing country – China, a country I love, and the one where my birthplace, Hong Kong, continues to play such a vital part.

The liberalism of Openness

- Closed Old China to Open-Door China
- FDI – World's foremost destination, ahead of the US
- Factory of the World – half of world's cameras and photocopies
 - lion's share of the world's microwave ovens
 - third of the world's air-conditioners
 - quarter of the world's refrigerators
 - 2nd largest electronics producer, ahead of Japan (85% export growth due to electronics)
- Exporter to the World - 4th largest in manufacturing, ahead of France
- World's leading Sourcing Centre – Walmart buys US\$10 b goods pa
- Welcoming the World : WTO, Olympics, World Expo

The liberalism of economic well-being

- History suggests that it is difficult for liberalism to flourish if society is polarised into the very rich and the very poor, if there are no middle-class consumers.

- Rise of the Middle Class Consumer a world trend – cf. Asia, including India, Asean, China, Latin America, Eastern Europe.
- Trade barriers coming down with WTO, FTAs e.g. Asean + 1/3

The rise of the Middle Class consumers in China

- Critical Mass - over 200 million in 2 Deltas and coastal areas.
- World Bank threshold exceeded by cities like Shenzhen (GDP@ US 5,200) and Shanghai (GDP@US 4,200).
- Market size US\$560 b growing at 10% pa.
- Carrefour, B & Q, Ikea, Kentucky Fried Chicken, McDonald's, Starbucks, TGIF
- Urbanisation and mobility : highways and expressways from 500 km to over 20,000 km in 10 years – explosive growth of mini-cities and the saloon car market (over 2 million a year)
- Lifestyle (arts and culture): beer and coffee; Paravotti; Vivienne Westwood; Cats (May, Shanghai); NBA (Yao Ming); Formula One; Universal Theme Parks
- 16th Party Congress – Target of a ‘Well-off’ Society’
- Removal of barriers to enhance productivity

The liberalism of balanced development

- Regional imbalance a threat to stability – West Region and inner provinces
- Infrastructural projects – Three Gorges Dam
 - The Four Gigantic Projects
 - Natural Gas – West to East
 - Electric Power-line – West to East
 - Water resources – South to North
 - Tsinghai-Tibet

The liberalism of market transparency

- A few decades ago, a foreign investor asked for a copy of the investment regulations so that he could comply. Replied ‘We can’t give you the regulations because it will be against the regulations’ We’ll, things have progressed a long way.
- Following WTO entry,
 - Over 2,200 laws and over 1,000 regulations abolished or streamlined;

- Moving towards a rule-based society: transparency; consistency; impartiality; ready access; appeal/arbitration; international monitoring

The liberalism of public interests

- Use of the media to monitor consumer protection and public service delivery
- Village elections –
 - Covering the vast majority of the population
 - Village Party Secretary elected before appointment
 - A wide-spread educational process in representational government
- 16th Party Congress:
 - ‘Three Represents’ – emphasizes the widest public interests
 - Shenzhen Experiment – separation of the functions of the Party, the Executive and the Legislature
 - Think-tank on political reform in Central Party School

The liberalism of admitting problems

- State Owned Enterprise reform
- Financial Reform – Non-Performing Loans
- Unemployment v. job creation
- Corruption and corporate governance

The liberalism of ‘One Country, Two Systems’ – Hong Kong

- Deng Xiao-ping – One hundred Hong Kong in China
- Development from SEZs to wide-spread market economy
- Two Delta strategy – like the two wings of an eagle
- Hong Kong - Executive Suite of the Pearl River Delta
 - 70% FDI (47% FDI overall China)
 - 90% of syndicated loans of whole of China
 - Employing 11 million workers
 - 24 hour boundary crossings (120 m pedestrian and 10 m vehicle trips pa)
 - Enhanced infrastructure – proposed new bridge linking HK, Macao and West PRD
 - One Stop Hub – breakfast meeting with international banker, HK entrepreneur, and Chinese enterprise proprietor
- Hong Kong itself being liberalised:
 - New Ministerial System – Political appointees

- 2007 – HK will decide how to elect its Chief Executive
- BL 23 – widest public consultation – Over 97,000 submissions
 - balancing national security with individual liberty and freedoms

Conclusion – What breeds liberalism?

- Adam Smith?
- Globalisation?

Ladies and Gentlemen, I leave you to ponder over these questions. Thank you.

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