

Hongkongers may no longer fear mainland repression but they now have other concerns about integration, writes **Bernard Chan**

Worrying trends

Pople overseas still sometimes ask me what has changed in Hong Kong since 1997. The main changes seem to be things no one expected. Take the list of Hong Kong's 50 richest people, which is published in a popular magazine every year. Ten or 12 years ago, I would look at the pictures of these wealthy individuals or families and recognise most, if not all, of them. Many were household names in Hong Kong.

A couple of years ago, I noticed that I could name maybe half the faces. This year, I can name maybe 17 or 18.

At the top of the list (based on ownership of Hong Kong-listed companies), you see the old familiar big names: Li, Kwok, Lee and Swire, the controllers of our biggest family companies by market capitalisation.

Look farther down and you find people whose names and faces are far less familiar – Wang, Chen, Zhang and others.

We might recognise some of these people's companies – firms like BYD Auto, Tencent and Nine Dragons Paper; a lot of people in Hong Kong trade these stocks. But, like their majority owners, they seem to have come from nowhere. Where were these companies 10 years ago?

Look farther down the list and there are people I have never heard of.

What has happened is that corporate giants have sprung up on the mainland, listed in Hong Kong and become leaders.

At the end of 1999, there were 43 H-shares listed in Hong Kong; last year, 48 new mainland firms listed here, and the total at the end of the year was 524, representing 58 per cent of the market capitalisation and 72 per cent of average daily turnover.

Many small but good-quality local stocks now trade at below their net asset values because of low liquidity, as investors prefer big mainland companies.

As with the numbers of mainland tourists, few people in the late 1990s thought this would happen so soon.

However, we have welcomed it. If you told people 10 years ago that a mainland would be chief executive of Hong Kong Exchanges and Clearing by 2010, they might even have been alarmed. Yet Charles Li Xiaojia's recent appointment to the job is widely seen as just what the exchange needs at this stage.

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lavish buyers, often buying in large quantities. Around half the babies born in our hospitals are born to mainland mothers (some of whom have Hong Kong husbands).

A similar proportion of postgraduate research students in our universities are from the mainland.

Not everyone welcomes all aspects of

this trend. Mainland mothers became a hot political issue a few years ago, and there are fears that mainlanders could take up university places at the expense of local students.

We already hear complaints about mainlanders competing for housing. Nearly one in five luxury flats sold last year went to buyers from across the border – double the number of two years before.

More worryingly, mainlanders are also buying, and therefore presumably pushing up the price of, ordinary units aimed at our own middle class.

The impact of mainland people on Hong Kong comes down essentially to numbers.

For every Hongkonger, there are around 185 mainlanders. If just a tiny percentage of them list companies, shop,

study, give birth or buy homes here, we will notice. For some people or businesses, this may offer huge opportunities; but some others may see such integration as a material threat.

Twenty years ago, we worried about repression or corruption from the mainland after 1997. We were wrong. Today, we fear being left behind because our people and companies cannot compete – but we also fear integrating too much, as with mainland students, mothers or homebuyers.

What will we be worrying about in another 20 years? The way both Hong Kong and the mainland are changing, it will probably be something else altogether.

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Let's figure it out

Legislators should invite the financial secretary to explain how various figures are put together in the budget. While every year, media reports focus on the financial secretary's speech, hardly any attention is given to the supplement and appendices published at the same time. They contain a mass of figures with not-so-easy-to-understand footnotes. It doesn't make easy reading for the general public, which is probably why they are usually ignored.

One of the appendices is the government's Medium Range Forecast (MRF) of economic growth which extends over five years. Thus, this year's budget is accompanied by the forecast from 2009 to 2015. Previous financial secretaries have said public spending must be kept in line with growth of the gross domestic product to balance the books in the medium term, since the Basic Law requires a fiscal balance to be achieved. But how this affects medium-term policymaking is hard to figure out.

On the expenditure side, the financial secretary notes that the government will not reduce spending because of a reduction in revenue as there is a need to support the economy. However, a review of the MRF and a comparison with last year's forecast suggest a less generous approach.

It would be useful for legislators to match expenditure figures from year to year and question the financial secretary closely, to help the public recall what was promised in previous years, what was in fact spent and the reasons for underspending.

Another aspect is GDP forecasting. The government is predicting a period of sustained budget deficits totalling about HK\$97 billion, with the deficit for 2009-10 amounting to just under HK\$40 billion, but gradually declining to HK\$1.3 billion by 2013-14. The government's growth forecast is based on an assumption of GDP contraction for 2009-10 of minus 2 to 3 per cent, and an annual average trend growth rate for Hong Kong's economy in real terms of 3.5 per cent for 2010-11 to 2013-14. Is this rather rosy view of GDP growth overly optimistic?

Legislators are best placed to clarify the answer.

Other forecasts are equally important to consider, such as estimates from land sales and other land-related incomes. Land revenues are of particular interest in Hong Kong because virtually all the land here is leased from the government, and Hong Kong's land-leasing system empowers the government to exercise two important land policy measures – regulating supply and capturing development windfalls – that is, charging a tax (the "land premium") on changes of land use. This system

has enabled the government to generate substantial revenue from land-related transactions.

The section of the budget dealing with "the risk of the asset-price bubbles" is revealing, as the financial secretary describes how the government can increase the land supply for residential property and units controlled by public-sector developers. This will allay concerns over deteriorating affordability; speculative hot money coming to Hong Kong has pushed up property prices.

There is a continuing debate over the effect Hong Kong's unique land-leasing method has on property prices. The dual role of the government in regulating supply and use, as well as negotiating land premiums, may have created an institutional setting that keeps prices high.

What clues are there in the growth forecast? This year's forecast assumes a strong improvement in land revenues from 2010-11 and a resumption of an asset sales programme in 2011-12. In the 2005 budget, the forecast assumed land premiums would be 2.1 per cent of GDP; in last year's budget, it was forecast to be 1 per cent of GDP in 2009-10, and 2 per cent from 2010 onwards. What are we to make of these figures, and how they change?

Can someone please ask the financial secretary what they mean and the reasons for the changes, so we know that the figures have some foundation?

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Voices: Hong Kong

An unhealthy approach to employee relations

Stephen Vines

How do you turn a labour management problem into a disaster? Unfortunately, the experts on this are to be found at the Hospital Authority, which is not only one of Hong Kong's biggest employers but is also operating in an area that directly affects the public in times of stress.

The authority is currently contemplating plans to penalise employees who declined to take part in the allegedly voluntary pay cut imposed on senior staff at the beginning of the year. It has already established an undistinguished track record by threatening to sack any employee not agreeing to the cut, a threat that resulted in 16 doctors quitting and which was only settled after a public apology by Shane Solomon, the authority's head.

This is a complex matter because it arises out of a government decision to temporarily reduce the salaries of higher-paid staff to help Hong Kong out of the financial crisis. We shall set aside the embarrassing fact that this disruptive and troublesome temporary measure was a consequence of official panicking over public finances that proved unnecessary.

Meanwhile, bodies like the Hospital Authority, which are funded from the public purse, were obliged to follow the edicts that applied to civil servants. A unilateral pay cut would have meant a breach of contract so it was necessary to secure staff agreement. More than 98 per cent of the authority's staff agreed to the cut.

The majority who had to swallow the pay cut would rightly feel aggrieved if those who insisted on the enforcement of their contracts re-

ceived preferential treatment. This, presumably, is why the dunderheads at the authority thought it would be a clever idea to punish the holdouts by denying them pay increases for the next five years and by denying increments to staff who receive satisfactory work assessments.

Even the authority concedes that this move could be of dubious legality, but a discussion paper presented to its board suggests it would be the best way to address the inequality be-

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tween those who suffered a pay cut and those who did not.

The proposed solution gives new meaning to the word "voluntary". Unsurprisingly, it is making staff very angry. But the problem is deeper, because these employees are at the frontlines of health care and their morale has a direct impact on the service the public is likely to receive.

Unlike Solomon and a handful of other very senior officials at the top of the authority's bureaucracy, the frontline staff are not paid salaries that compare with the generous terms found elsewhere in the world. On the contrary, most are modestly rewarded for highly demanding and sensitive work.

The mindset of the senior bureaucrats is one of finding ways to punish

those who have defied their wishes. They appear not to have considered the far better alternative of rewarding those who voluntarily agreed to reduced pay for a temporary period. Was any thought given to devising such a solution? Why, for example, is there no proposal to simply pay back the money taken away and even offer a modest bonus to those who volunteered to make the sacrifice?

Clearly, the volunteers are entitled to recompense for a blunder in the assessment of a massive public deficit which, as we learned from this week's budget, failed to materialise. Furthermore, what is wrong with an additional reward for co-operation? The sums involved are relatively modest, but the resulting benefits would be overwhelming.

A culture of devising punishments for defiance of unreasonable demands seems to permeate the Hospital Authority, which is showing itself to be incapable on a whole number of fronts, not least that of transparency over medical blunders.

There is a special imperative for public bodies to behave in a decent way when dealing with staff issues, to set an example for the private sector. The Hospital Authority appears to think that the big stick is the only way to keep its staff in line.

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Voices: The internet

Tweeting their way towards freedom

Emily Parker

Google has been widely celebrated for its loud refusal to continue censoring its search results in mainland China. It is still unclear whether Google will continue to operate on the mainland but, in any event, we are not about to see much change in Beijing's internet policy. More likely, all this "foreign meddling" will merely cause Beijing to dig in its heels.

Even if Google does ultimately leave the mainland, the game is not over. Western companies can promote internet freedom from the outside, by providing useful technology as well as the keys to access it. Call this "Twitter diplomacy".

Twitter is largely blocked by China's "great firewall", which prevents mainlanders from accessing certain sites. Yet Twitter has an almost religious following among tech-savvy mainlanders, whose determination to use the service outstrips authorities' efforts to block access to it. These netizens surmount the firewall by way of proxy servers or virtual private networks (VPNs), which allow them to browse the Web as if they were outside the mainland.

Twitter, which lets people send bite-sized messages to many people at once, allows mainlanders to quickly disseminate urgent news. "Twitter can create a faster information flow than any official agency," says Michael Anti, a journalist in Beijing who has long been at the forefront of the Chinese internet movement. "That means people would get information faster than the government. That's a real crisis for communists."

Twitter also helps protect

individual citizens. Blogger Peter Guo claims Twitter got him out of jail. He says he was arrested last July after spreading word about a crime that allegedly involved local officials. He "tweeted" an SOS via his mobile phone after he was arrested, and his case quickly attracted both domestic and international attention, which helped secure his release a little over two weeks later.

Twitter has developed into a tool of democratisation. In April last year, young people in Moldova used Twitter to organise protests against their government. Two months later, Twitter famously helped Iranians assemble and share information during their election protests. Now, we are beginning to see a similar phenomenon in mainland China.

Google's adamant stance on Chinese censorship may have been well intentioned. But the standoff has now taken on the tone of a state-to-state confrontation. If netizens begin to see Google as a pawn of the US government, their support for the firm could vanish in an instant.

Ultimately, the mainland's internet cat-and-mouse game will be won with innovation. The world should continue to flood the Chinese market, and those of other countries that restrict freedom of expression, with cutting-edge technology. The censors will often be just one step behind. But mainland netizens are remarkably adept at using the limited tools available to them. In doing so, they are transforming their country in a slow but irreversible way.

Emily Parker, a senior fellow at the Asia Society's Centre on US-China Relations, is writing a book about democracy and the internet

Voices: New technology

In media and politics, old habits die hard

Ziga Turk

Throughout history, political leaders have supported existing communication technologies in order to defend the system in which they rule. But their efforts to block technological change have been futile in the past and they would be unwise today. Instead, political systems and the media must adapt to new realities.

Faced with an existential crisis as new technologies lure away their readers and viewers, traditional news media are increasingly turning to governments for help. They take the attitude that theirs is a noble cause: without journalists to report the news, how can citizens with their blogs and tweets decide what politics to support? It's an age-old fear. As Plato put it, citizens who get "information without proper instruction" would, in consequence, "be thought very knowledgeable when they are for the most part quite ignorant".

Political rulers, too, have never liked new communication technology, because the political systems through which they rule are adapted to the existing technology. Scarcity of parchment required all decision-making to be concentrated in a court consisting of a handful of people. When cheap paper and printing presses challenged this system, the Catholic Church and the monarchs defended the parchment-based monopoly. They failed.

Print, paper and newspapers enabled the rise of new types of political systems based on expanded popular participation. The transition was not smooth, but those who understood the signs of the times early gained a historical head start.

In the "scarce bandwidth" media

of the past, in which space and time were limited, the media had to select stories worthy of reporting. Mass media could report few big stories, in which a few big actors took centre stage. In stories about politics, these big actors were political parties.

This created a mutually reinforcing symbiosis between the old mass media and old mass political movements, both hostile to the entry of new players.

Newsletters and broadcast organisations, like political parties, were expensive to set up, but once established, they benefited from economies of scale – operating costs remained relatively fixed as circulation (or party membership) grew. Unfortunately for both, their main strengths – transmitting information and connecting people – happen to be what the internet does best. Blogs and social networking platforms encourage seamless, cost-free association – the most efficient form of organisation imaginable. So it will probably not take much to persuade politicians that the press is essential to democracy, and that its survival depends on government support.

In the 1990s, Microsoft chief Bill Gates said: "In the next century, leaders will be those who empower others." Deciding whom to empower, and whom to allow to participate – rather than deciding to save the existing media technology – will determine the future of political parties and the systems in which they govern.

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