

SOUTH CHINA MORNING POST BUSINESS POST

Because China lacked any infrastructure, manufacturers set up their facilities in the Pearl River delta. Between 1978 and 1987, practically all of China's foreign business went through Hong Kong.

Just visualise the following: after 1949, the only bridge between China and the Western world stood at Hong Kong and when China began to open up after 1978, traffic on that bridge increased several fold.

As a regular visitor to China I have to say that if one thing has vastly exceeded my expectations, it is how quickly China has been able to put into place infrastructure, especially after 1990 in the Shanghai-Tianjin corridor and in Dalian, in Liaoning province.

Bridges to the Western world are being built at break-neck speed everywhere in China, and these bridges are beginning to increasingly compete very effectively with the previous monopolistic bridge at Hong Kong.

In time, these new bridges undoubtedly will reduce the importance of the Hong Kong bridge – certainly in relative terms, but more likely also absolutely.

The third fortunate event for Hong Kong occurred when the Taiwanese were allowed to travel and invest in China, but only through a third country. This benefited Hong Kong greatly after 1987, but again it is only a matter of time until direct links between Taiwan and China are established – an event which will be more negative for Hong Kong's economy than is generally believed.

In short, I expect in 10 years the economic nucleus of China to have

shifted back to Shanghai and the northeast, away from the south where it initially resided after the 1978 modernisation drive.

The way the economic landscape of Asia was altered when China became communist, the economic geography is now being reshaped by China's opening to the outside world. When trading routes and industrial clusters shift, they inevitably

mic geography compared with Japan, South Korea and the west coast of the United States is more favourable since they are located in the north.

These cities' favourable geographical location will lead to them becoming China's major shipping centres and airline hubs. Therefore, with or without the handover next year, Hong Kong would have lost

Hong Kong's economic success has been largely a historical accident. Had China not become communist, its centre of economic activity would have remained in Shanghai and in the northeast. Hong Kong, Taiwan and South Korea would simply never have developed to the same extent

bly bring about a mutation in the centres of prosperity.

Venice was, as Montesquieu observed, thrown into a corner of the world after Vasco da Gama discovered the Cape of Good Hope in 1497, because the Far Eastern trading routes shifted away from the Silk Road to the maritime route around the Cape.

Similarly, over time shipping, trade, tourism and financial transactions will increasingly be diverted from Hong Kong to other Chinese cities, notably Shanghai, Tianjin, Beijing and Dalian, whose econo-

out economically because of China's opening and rapid modernisation.

The handover deserves a few thoughts as well. Being not the most law-abiding citizen myself, and an anarchist at heart, despising the power of governments which in every society has always led to corruption and abuses, I am not so much concerned about rising corruption, the future absence of the rule of law, human rights, freedom of speech, etc.

To me, it is quite irrelevant if I pay highly educated lawyers and ac-

countants \$2,000 an hour or „patriotic“ Chinese organisations \$2,000 a month in order to protect my business.

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Equally, it is totally irrelevant who will be Hong Kong's Chief Executive. Whoever it is, he will dance, move and also exit the stage – like a puppet according to the strings pulled in Beijing. Since there may be quite a few people pulling the strings at the same time, the poor puppet may be without control over direction. Have no illusions. There will be one country and one system, and the people in Hong Kong better get used to it.

One country and one system may, by itself, not be harmful since China is rapidly progressing and opening up. Clearly, throughout history, privileges which were given to a minority were always – in time – revoked, and the special economic status Hong Kong and the special economic zones now enjoy will slowly disappear.

The „Chinasation“ of Hong Kong that began a few years ago is well under way. Eventually, but maybe even sooner than the pessimists expect, Hong Kong will be just another city in China. By then, it is not likely that Hong Kong's property prices will be six times higher than in Shanghai or Beijing.

History has not been kind to free cities which became part of large countries. Salzburg, Tangier, Goa, Malacca and Venice, free and thriving trading centres, all disintegrated once they were absorbed by large states.

Deprived of their political and military power, these cities inevitably lost their flexibility and special privileges.

Of some relevance to Hong Kong might be Salzburg's case. It was absorbed in 1803 by Austria and, there-

fore, lost its independence. Needless to say, the first thing the Austrians did was to take away all the treasures Salzburg had accumulated over time. We should not forget that merchant families – the pillars of trading cities' economies – are extremely mobile and can move ea-

But, take my word, they will also be the first ones to appeal to the international of community and to constitutionally elected government when they will come to realise, rather soon after next year, the consequences of the monstrosity of having actively encouraged the si-

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sily when a city's commercial infrastructure deteriorates or when minority rights are challenged; Unlike peasants who are bound to a country through the land they cultivate, merchants can simply move to the next centre of prosperity and take advantage of new opportunities.

Hong Kong's super rich, whose wealth consists largely of immobile real estate, badly miscalculated. They fear democracy in Hong Kong even more than Beijing's central government.

They are the ones who, on their regular kowtowing pilgrimages to Beijing, brainwashed Chinese officials into believing that democracy would be detrimental to Hong Kong's prosperity.

They also are the ones who confirmed this view by voting as members of the Preparatory Committee to dismantle the present partially democratically elected Legislative Council.

tuation of the „rule of law“ with an arbitrary political system.~

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