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Hong Kong's 2019 Turmoil: A Dismal Future?

By KB Teo

SYNOPSIS

As Hong Kong's political crisis deepens, what are the options open to Beijing and what are the priority issues for the Hong Kong leadership?

COMMENTARY

THE TURMOIL currently sweeping Hong Kong is driven primarily by four main causes. One, fear of Beijing's growing control. Two, concern over the erosion of its "freedoms and autonomy". Three, the very high costs of living. Four, Western interference.

Under the 30 June 1997 China-UK Handover Agreement, Beijing promised to maintain Hong Kong's "autonomy" for 50 years in three areas: freedom of speech, assembly, and religion. Today, Hong Kong is less important to China.

Fear over China's Growing Control

In 1997, Hong Kong accounted for 20% of China's GDP. The proportion now is 5%, with the rise of Shenzhen, Shanghai, and Chongqing. Shenzhen is becoming the high-tech centre of the world. In 1997, Hong Kong handled 50% of China's foreign trade. Today, it is only 12%.

Hong Kong's per-capita income used to be 35 times higher than China's. Now it is five times higher. As China's economy continues to expand, it will become richer and leave Hong Kong behind.

There is no chance that Beijing will accept the demands of the protestors: universal suffrage, full democratic elections, an independent inquiry into the protests and

alleged police “brutality”. Beijing condemned the protestors as “rioters” engaged in a “colour revolution”.

Fear of Erosion of “Freedoms and Autonomy”

Extremist protestors desecrated Hong Kong's parliament building (LegCo) and China's Liaison Office. Many advocated Hong Kong independence, carrying American and British flags.

In early-September 2019, they called on President Trump to intervene to “liberate” Hong Kong. Protestors claim they want to preserve Hong Kong’s “freedoms and autonomy”. Not surprisingly, Beijing sees it as an attempt at secession.

China is watching the situation very closely. An authoritarian state, it crushes any dissent. During a 2017 visit, President Xi Jinping warned that challenges from Hong Kong would not be tolerated. He sees the current turmoil as an attempt to overthrow the rule of the Chinese Communist Party (CCP) on the mainland.

In July 2019, the Chinese military warned that it could be deployed to maintain social order. Four months earlier, in April 2019, Hong Kong chief executive Carrie Lam had introduced the Extradition (Fugitive Offenders') Bill.

It would allow for the transfer of criminals to China to face justice. Many Hong Kongers say they do not trust China's politicised judicial system.

Beijing's Options

Beijing has at least four options to respond to the Hong Kong crisis.

First, the use of force can be ruled out, at least for now. China would not want a repeat of the 4 June 1989 Tiananmen Square Massacre. With a bitter trade war with the United States and a slowing economy, China would not want to intervene directly in Hong Kong.

It has used terms like “terrorism”, and “secession” to describe the violence. Beijing is clearly setting the stage for a more forceful response if the violence and turmoil continues.

Second, Beijing wants Carrie Lam to clean up the mess, which, contrary to expectations, got uglier despite China’s 70th anniversary on 1 October. It understands the need to keep the pro-establishment camp in Hong Kong united. Xi wants Carrie Lam to show that she can restore law and order without Beijing’s direct intervention.

Third, give strong support to the Hong Kong police to maintain peace and stability. It is one of the most professional police forces in the world. This includes encouraging more ordinary Hong Kongers to publicly show patriotic support for the mainland.

Four, quickly address the grievances of Hong Kongers. Outwardly, Hong Kong is prosperous, with many billionaires. An example is Li Ka-Shing. He is one of the richest men in the world, with a personal wealth estimated at US\$29.4 billion.

Other notable tycoons are the Kwok brothers (Sun Hung Kai Properties), Cheng Yu-Tung (property, services, infrastructure), Liu Chee-Woo (casinos, entertainment), and Stanley Ho (casinos).

Housing Crisis

The majority of Hong Kongers is poor. Hong Kong has the worst income-wealth inequality in the world. Poverty in Hong Kong is at a high of 20%, the highest in a decade. Many Hong Kongers cannot afford decent housing.

Hong Kong faces a public housing crisis. Housing ownership is only 15% in Hong Kong compared with 80% in Singapore. The current waiting time for public housing in Hong Kong is more than five years. This is the longest period in 15 years. Many survive in tiny cubicles, the size of a ping-pong table. Many young Hong Kongers say they have “no stake” in society.

This bleak situation has fueled the anger of many Hong Kongers. Hong Kong's economy is badly hit by the turmoil. Business and tourism are sharply down. Despite an August 2019 economic package of S\$4.23 billion, recession looms. For 2019 as a whole, the forecast is for zero growth, the worst in 20 years.

Western Interference

Carrie Lam has withdrawn the Extradition Bill. She has started a public dialogue to get ideas to peacefully resolve the crisis. But the violent protests have continued. The West, as expected, is very critical of Beijing's attempt to gain greater control over Hong Kong. Beijing accused the US, Britain, Canada, Germany, and the EU, of being the "black hands" behind the turmoil.

US political counsellor in Hong Kong, Judith Gadeh, was recently photographed meeting protest organisers like Joshua Wong and Nathan Law. But the protests are not popular at all. Beijing warned the US “to stop playing with fire”, or get burnt.

In July 2019, the EU Parliament called on its members and other states to investigate export controls "to deny China, in particular, Hong Kong, access to technologies that could be used to violate human rights".

Beijing rejected the EU statement as "unwarranted interference in China's internal affairs". This is a reference to Western imperialism against China in the 19th and 20th centuries.

Implications

Hong Kong's turmoil is in its fifth month, the longest on record. Carrie Lam's government needs to focus quickly on the causes of the turmoil and resolutely tackle the wealth inequality, housing crisis, and the high costs of living. If not, Hong Kong faces a dismal future.

Singapore can expect to benefit from the unrest in Hong Kong. It has a reputation for good governance, stability, and strongly pro-growth policies. This is the case for rich

Hong Kongers with assets of about US\$15 million. It will enhance Singapore's role as a global private banking centre.

However, big firms still prefer Hong Kong, as it has very good connections with other global financial hubs. Singapore, however, is careful not to be seen as profiting from Hong Kong's plight.

Singapore's asset management industry is growing very fast: it currently manages S\$2.4 trillion in funds. Singapore is one of the largest fund management centres in the world.

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