

For V.K.  
V.K. - Mr. MacLehose

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## THE ROAD TO HONGKONG

# A touch of the jitters

By Derek Davies

**B**ACKBENCH Labour MPs do not arrive in Hongkong, like Saint Paul on the road to Damascus, to be instantly converted to a delighted appreciation of the advantages of *laissez-faire* capitalism. They do not return to London babbling of growth rates, export successes, resettlement and rehousing of almost 40% of the population and of rising expenditures on education and social welfare. Predictably they tend to emphasise areas of failure, inequalities in the distribution of wealth and exploitation, comparing Hongkong's wage rates not with the rest of Asia but with those of Europe.

It has taken Hongkong a long time and a lot of taxpayers' money to realise this rather obvious truth, and also to hoist aboard the fact that sponsored trips by Tory MPs, who make equally predictable speeches about the rewards of initiative, hard work and a regressive, low tax system — tending to show a *what's-in-it-for-me?* attitude when contemplating local investment opportunities — are of limited use, at least while a Labour government is in power. The existence of a pro-Hongkong group at Westminster does not prevent a lot of snide and often ill-informed questions being posed in the House.

It is no secret that 1976 saw a disturbing deterioration in the relationships between London and Hongkong. The trouble did not start with Parliament but with Whitehall. Apparently a feeling developed among British civil servants that their colleagues in Hongkong were less than responsive to perfectly proper queries, often put to Hongkong in order to prepare answers for question time. Inquirers about Hongkong Government expenditures were brusquely referred to tables in the annual report, which were known to be out of date, while at higher level Hongkong's senior officials undoubtedly tended to display a certain impatience when what they regarded as their eminently successful policies were quizzed by representatives of a demonstrably unsuccessful economy. If Hongkong's messages reflected arrogance, London quickly began to reveal irritation.

The situation was complicated by the fact that the Governor, Sir Murray MacLehose, was highly regarded by the Labour Government as a liberal reformer: as a former diplomat he had spent some

time as (then) George Brown's Private Secretary. It was thus only too easy for London to assume that while Sir Murray's heart was in the right place, he (and London, come to that) were being frustrated by a recalcitrant and ultra-conservative Hongkong bureaucracy — a judgement which was fair neither to Sir Murray nor to his Hongkong colleagues. A position paper was prepared in the Foreign and Commonwealth Office (FCO) adumbrating more direct controls over the way Hongkong ran its affairs, even contemplating the right to approve budgets before their presentation. Those involved now claim of course that the position paper was only one of several routine memoranda on Hongkong. It is known however that relations were at a low level, and there were considerable fears in Hongkong that Britain would insist that Hongkong should begin constructing a welfare state, if necessary pushing up the rates of taxation on business profits and salaries.

The situation was retrieved by several visits paid to London by the Governor and other senior Hongkong civil servants. It was agreed that matters could not be allowed to deteriorate. Hongkong promised to push ahead as fast as possible with measures designed to accelerate redistribution of wealth, to increase social welfare to those who could not — through no fault of their own — earn a fair share in Hongkong's prosperity, and to push ahead with housing and education programmes even faster than the Governor had intended before recessionary years slammed on the brakes for him.

The Financial Secretary, Philip Haddon-Cave, was fortunate when he presented his budget recently (REVIEW, Mar. 11). For once the civil servant *par excellence* evidently decided it would be politic to be political: his expenditures were evidently aimed as much at satisfying London as soothing local anxieties. He was lucky in that revenues were sufficient for him to be generous without increasing taxation — either direct or indirect — or without abrogating Hongkong's fiscal conservatism. He was also able to project that total expenditures in 1977/78 would increase by over 20% above estimated expenditure for 1976/77, while in fact the rise is only just over 14% above budgeted expenditure for 1976/77 — largely due to a failure to reach the expected levels of capital expenditure. On housing, Haddon-Cave was able to set aside over HK\$100 million (US\$21.50 million) for a home ownership scheme and promise that the Housing Authority would be more flexible in deciding rents in the light of tenants' ability to pay.

The Hongkong Government is already subsidising housing on a massive scale, and the Housing Authority is providing



Visiting British MP: Concerned or committed?

over 350,000 flats at rents varying between 21 cents and 94 cents per sq. ft. The new schemes will involve further subsidies — aid provided by some 40% of the population living in privately rented accommodation. Already this section is resentful, and stories abound of families with large monthly incomes

living in public housing, and of others who are landlords owning several other flats: certainly housing estates today are remarkable for the number of television aerials and parked cars. The new schemes could well increase resentment of the type reserved for occupants of council houses in Britain, and it is to be hoped that the Government will be able to draft sufficiently water-tight legislation to ensure that new flats are occupied by their owners, not purchased by speculators who would be subsidised from public funds.

It is not yet known whether London has been appeased by Hongkong's New Look. However, one solid agreement reached last year, and designed to prevent relations deteriorating again, was that there should be more visits between London and Hongkong — not by MPs but by the bureaucrats who actually implement policies. In line with this, Hongkong is expecting Donald Murray, Head of Far East Department, and John Stewart, Head of the Hongkong Department, of the FCO to arrive later this month. In the meantime Hongkong is spending less money on bringing out MPs and more on the sort of influential journalist likely to make a sympathetic comparison between Hongkong's continuing buoyancy and the sad state of the British economy.