

A Matter of Principle

Governor lashes out at those lobbying China

By Bruce Gilley in Hong Kong

One of the biggest questions about life in Hong Kong after 1997 is whether the business environment will change for the worse. In particular, will Hong Kong companies succumb to the temptation of trying to cook up sweet deals with their powerful benefactors in Beijing?

Some may be already trying. In his October 2 valedictory address, Governor Chris Patten openly accused certain Hong Kong business people of circumventing government policies by appealing directly to Beijing. Patten refused to name names—though sources at Government House made it clear exactly which cases he had in mind:

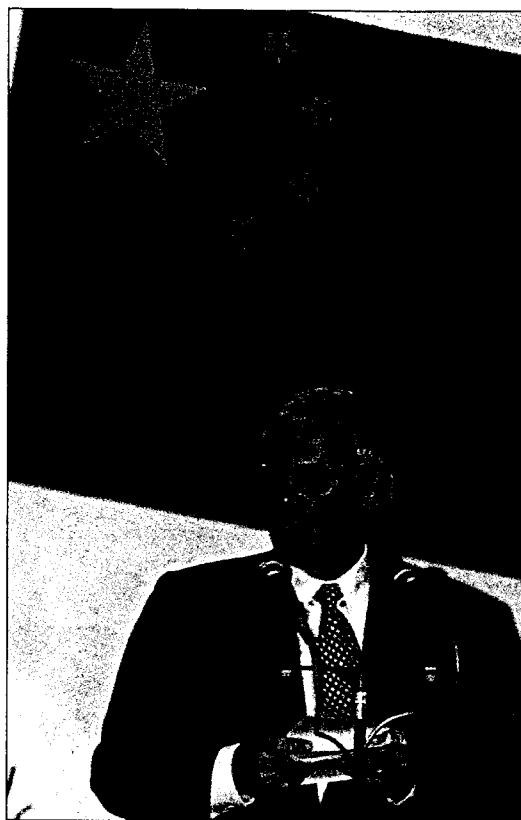
- China's much-delayed approval of Hong Kong's new mobile-phone licences. It took a full year before Beijing finally, in July, signed off on the six awards. In private, the government accuses local monopoly Hongkong Telecom—which failed to win one of the licences and will see its mobile-phone profits whittled away by the newcomers—of having asked Beijing to overturn the Hong Kong government's original list of winners.

China justified its long delay by saying it wanted "healthy competition but not intense competition" in the sector. But the British stood firm. "We refused to take any decision until we were able to take the decision that we first wanted to take," said Patten.

- The four-year lag in concluding an agreement for a new container terminal. In September, Beijing finally endorsed Hong Kong's ninth container terminal, with a capacity of 2.2 million TEU (20-foot containers). The hold-up was ostensibly related to the involvement in one of the three winning consortia of British conglomerate Jardine Matheson, which has sparred with China in the past. But the delay also proved to be a boon to powerful Hong Kong firms developing rival ports in southern China.

In particular, Hong Kong government officials privately accuse tycoon Li Ka-shing's Hutchison Whampoa of encouraging Beijing to stall the talks on the new terminal in order to give Hutchison's Yantian and Shanghai ports (combined capacity: 3 million TEU) a head start.

- China's hesitation in approving plans to reclaim 30 hectares of land in the Central business district. The reclamation, which will provide 1.3 million square



Chris Patten sees secret Beijing connections as a threat to Hong Kong's autonomy.

metres of office space, also threatens to devalue the land banks of several large property developers whose bosses are advisers to the Chinese government.

China responded indignantly to Patten's remarks. Listening to different views from business leaders, it said, did not amount to caving in to pressure to reshape Hong Kong policies. Still, the Beijing-backed *Wen Wei Po* newspaper conceded that Hong Kong people "asked the Beijing government to step forward and make representations" over the container port and reclamation projects. "This is the normal behaviour of Chinese citizens communicating with their own government," it said. "What's so inappropriate?"

A lot, say many in government and business. Patten's concern was the cloud of uncertainty such actions would cast over all Hong Kong policies by undermining the territory's promised autonomy. Business leaders also worry that such appeals will give an unfair advantage to those with good contacts in Beijing.

"Most of us do not have the opportunity to talk to Chinese leaders. Only a few people can do that," says Dennis Sun, chairman and managing director for China and Hong Kong of Fuji Photo Products. Sun should know: He is one of 20 trustees of the Better Hong Kong Foundation, a pro-China business lobby in the territory, whose more powerful members have been accused of selling out Hong Kong's interests to safeguard their investments on the mainland.

The irony is that it was the British who opened the loophole to lobbying of this sort in the first place. A 1991 deal on the new airport now under construction in Hong Kong gave Beijing the final say on all contracts straddling 1997. Because of this, the mobile-phone, port and reclamation deals were all subject to approval by the Sino-British Joint Liaison Group, a transitional body that will effectively cease to exist after the hand-over. This formal say on the projects made it reasonable for affected parties to appeal to Beijing.

After 1997, Beijing will appoint the chief executive and principal officials, but it will lose any formal mechanism for influencing policy decisions. "It will return to the old ways, only London will be replaced by Beijing," says a former senior civil servant now working in the private sector. He argues that London has long leaned on the colonial administration to make commercial decisions favourable to British firms. In the

future, he says, "Beijing will ring up the chief executive and suggest something. The chief executive will then say whether or not it can be done."

If he's right, effective business lobbying will depend on a pliant chief executive. Of the five declared candidates for the post, only one, Peter Woo, has made a point of emphasizing the importance of autonomy for the post-1997 government.

Woo is the former chairman of ports, property and communications group Wharf (Holdings), a rival to Li Ka-shing's port operations. Announcing his candidacy on October 1, he said Hong Kong people "are worried about whether or not and to what extent China would intervene in Hong Kong's affairs" after 1997.

To avoid such interference, Woo proposes to establish a council of business worthies to advise the chief executive. The council would include the small firms and foreign companies believed to be outside the lobbying circles Patten has complained about. Its top task would be, according to Woo, "to maintain the principles of a free economy and free competition." ■