

# BACK TO BUSINESS



**THE VIEW**  
RICHARD HARRIS

## Financial fireworks

**White paper** marks the start of a new investment model where Hong Kong is a city within China

Fireworks Day in Britain commemorates a failed anarchist, Guy Fawkes, who tried to blow up the parliament. The most spectacular firework bears the instruction, "light the blue touch paper and stand well back". It then blows up with a tremendous bang.

The reverberations caused by the central government's white paper on Hong Kong are similarly dramatic – not least because they came without the warning to "stand back".

The significance of the white paper should not be underestimated because, for the first time since the return of Hong Kong to Chinese rule in 1997, the city's status as an independent economic powerhouse is under question. Not by foreigners, television talking heads, or Hong-kongers – but by China.

Chinese government sources describe the white paper as a reaffirmation of authority over the city. More accurately it was a clumsy attempt to dampen growing grass-roots discontent that has instead politicised an undemonstrative and politically naïve, but independent-minded and well-educated population.

For 17 years, Beijing barely

questioned how Hong Kong was run although it was clear that it disapproved at times. That benevolence allowed us to forget that a sovereign power can do what it likes.

Meanwhile, Hong Kong's irritating use of its freedoms has gradually provoked the central government.

The "official" opposition to the city's government in the Legislative Council – which group together as pan-democrats – has been bulldozed by broadly pro-Beijing forces.

In its place a rag-tag opposition has emerged, led by "Mad Dog" Raymond Wong Yuk-man

and "Long Hair" Leung Kwok-hung, and supported by discontents in Occupy Central, which advocates civil disobedience to achieve democratic reform.

As Beijing feared, these vociferous elements have formed the core of a more popular opposition for evident tensions to ignite was supposed to be the city's annual protest march on July 1, but it came and went with a peaceful demonstration and the traditional token removal of some demonstrators by a tolerant police force.

The official line from Beijing is that protests endanger social sta-

bility and, by extension, Hong Kong's position as an international financial centre.

The truth is Hong Kong people seem not to be interested in rioting. And even if they were, London's experience shows that investors and capital remain resilient in the face of discontent.

London's anti-capitalism riots of August 2011 saw about 3,100 people arrested and an estimated £200 million (HK\$2.66 billion) worth of property damage. There were even five related deaths.

But no investor left London as a result of a night of civil unrest. London remains the world's most international financial centre in part because people can take to the streets and because political interference is minimal.

This latter fact is changing in Hong Kong, largely because it is no longer as important economically to the mainland as it was in 1997.

Yet economics is our whole raison d'être. Without it we are merely a small Chinese city of 7 million people – of little importance in mainland terms.

We have unconsciously survived great opposition from Chinese cities which are the size of

countries. Beijing and Shanghai complain that we have prospered as the favoured child. There is growing clamour for Hong Kong-style reforms around the nation. But putting this irritable special autonomous region under threat in response is not a good idea, simply because of what it adds to China.

Hong Kong is an entrepot for trade and new ideas, a hub for legitimate "China but not China" activities. It continues to be the

**[Hong Kong] is no longer as important economically to the mainland**

most sophisticated and globally trusted financial centre in the country, if not the region.

Independent media, an open internet and free speech make people more free-thinking and provide the high standard of human and development capital that China needs.

And those freedoms are guarded by the rule of law and an

independent judiciary. Our city understands both the West and the East.

Our freedoms mean that mainland students flock to study here, mainland businessmen clamour to work here and non-Chinese committed to China call Hong Kong their home.

The international standards of our market regulation, our health services, education, civil service and infrastructure are key reasons to attract foreign investors in the long term.

As things stand, global companies are not going to leave this city because of the white paper.

But what we must come to terms with is that the white paper did not mark the end of things as we knew them, rather it marked the start of a new investment model – of Hong Kong being definitively a city within China.

As realistic investors, we know that to work north of the Shenzhen River, you roll your eyes and say "this is China" and then get on with it.

We will have to learn to do this too in Hong Kong, even though before we were able to convince ourselves that we did not have to.

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London is still a major financial centre despite protests. Photo: AP

Illustration: Henry Wong