Global corporate leaders to advise Hong Kong and China

Keith Morgan
6 November 1998

Just over a year ago the British formally handed political control over Hong Kong to the Stalinist bureaucracy in Beijing. In business circles some concerns were raised over the future direction of the former British colony and the ability of the Chinese leadership to provide for the needs of international investors.

At the time, the Beijing bureaucracy bent over backwards to reassure international finance capital by appointing Tung Chee-hwa, a billionaire shipping magnate, to administer Hong Kong as a Special Administrative Region with a certain limited autonomy. Tung's 11-man Executive Council was filled with senior officials from the colonial bureaucracy as well as leading Hong Kong business executives.

Recent events have underscored the complete subservience of the Tung administration and its backers in Beijing to the dictates of the capitalist market.

Last month Tung announced the establishment of a Council of International Advisers to assist in setting financial policy for Hong Kong and China. The 14 members of the council read like a Who's Who of the major figures in global financial and corporate circles from North America, Europe and Japan.

Along with Paul Volcker, ex-chairman of the US Federal Reserve and Hilmar Kopper, Deutsche Bank chairman, the council boasts the participation of the chiefs or deputies of some of the world's largest corporations, including General Electric, Toyota, News Corporation, the US insurance giant AIG, Royal Philips Electronics, the German industrial conglomerate Siemans, the Tokyo-Mitsubishi Bank, Royal Dutch Shell, and Suez Lyonnaise des Eaux.

While the advisory council may be largely symbolic, the willingness of these corporate leaders to participate underlines the significance of Hong Kong and China to world capitalism and its stability. Tung will chair the group, which will meet once a year 'to advise on such matters as the investments Hong Kong would need to make in order to enhance our role as a world class commercial and financial centre'.

The Tung administration has responded to the economic crisis in the region and internationally by spending billions to shore up the value of the Hong Kong dollar and shares. In August alone, the Hong Kong government spent an estimated $HK118.8 billion on the stock market to prevent a collapse of prices. It now has substantial holdings in all 33 stocks that make up the Hang Seng Index and more than 10 percent of shares in three major firms--Cheung Chong Holdings, New World Development and Swire Pacific.

A number of economic commentators have criticised the government's intervention, claiming that the failure to let the market operate freely will put off long-term investors. But any failure to stabilise Hong Kong's currency and share prices could have quickly led to a devaluation in the Chinese currency and triggered further catastrophic financial instability throughout Asia and globally. The newly established Hong Kong advisory council is an indication that the world's financial leaders agree.

While Tung has poured billions into bailing out big business, his administration is presiding over a wholesale assault on the living standards of the working class. The official jobless rate has already hit 5 percent. According to a Federation of Trade Unions survey, the figure is much higher with unemployment at 13.7 percent and the underemployment rate at 7.5 percent.

Layoffs are continuing alongside a concerted campaign to reduce workers' wages by as much as 20 percent. On October 26, after five hours of talks, Hong

Kong employers and trade union officials agreed to new guidelines allowing management to carry out pay cuts and layoffs after just 14 days notice. Now employers are demanding the abolition of the minimum wage of $HK5,800 per month.

The government has already cut public hospital budgets to the bone over the last year and is preparing further funding reductions. The Hospital Authority, which controls 93 percent of all hospital-based services, is demanding that all hospital departments achieve a 5 percent productivity cut by 2002 to save $HK5-6 billion.

The Chinese bureaucracy carried out the unification of Hong Kong under the slogan 'one nation, two systems'. Capitalism would be maintained in the former British colony, Beijing said, while 'socialism with Chinese characteristics' would remain on the mainland.

But the methods used by Tung in Hong Kong and the Beijing bureaucrats are identical. State-owned enterprises have been systematically run down with the loss of millions of jobs in preparation for their closure or sale. Unemployment is rising rapidly and working conditions are appalling.

In the Special Economic Zones, the All China Federation of Unions acts as a policeman for foreign investors seeking to exploit cheap Chinese labour. The federation recently admitted that strikes of non-unionised workers were on the increase in the SEZs over a range of issues including the non-payment of wages, extended work hours, lack of safety and physical abuse.

In reality, there is only one system--the profit system--in operation.

See Also:
Sackings and wage cuts in Hong Kong
[9 October 1998]