

“Oligarchy Island”: Behind the Hong Kong Protests

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The recent wave of protest in Hong Kong may herald bigger problems. Economic woes may escalate the already-rampant acrimony between middle-class islanders and rich mainlanders, unless painful and politically sensitive reforms are taken. Since its transition from British colonial leadership to Chinese Special Administrative Region (SAR) status in 1997, street protests have become an increasingly common feature in post-handover Hong Kong. While mainland Chinese citizens lack civil liberties and adhere to strict limitations on personal political expression, residents of the semi-autonomous island enjoy a freer press and often stage mass demonstrations.

Though unthinkable in the mainland, many protestors in Hong Kong provocatively wear t-shirts depicting the iconic image of a lone man standing before People's Liberation Army tanks in Tiananmen Square during the failed 1989 uprising. Since the handover, the island has boasted huge GDP figures and economic growth due to an influx of trade and tourism from mainland China, yet public disenfranchisement has reached record levels in recent times. Many Hong Kong residents have become angry with Beijing over their lack of participation in the hopelessly non-representative political machinery so characteristic of the 'one country, two systems' policy.

In July 2012, Hong Kong Chief Executive Leung Chun Ying was inaugurated to lead the island to the dismay of tens of thousands of protesters, who called for universal suffrage and for Leung's post to be filled by direct elections. Leung was elected by a few hundred members of an elite electoral college, a 1,200-member committee dominated by Hong Kong's oligarchical property tycoons and their close business associates.

Space is a precious commodity in densely populated Hong Kong, which has a population density of nearly 16,500 people per square mile. The local government is the sole landowner, and derives a great deal of income from land premiums and property modification fees. Calls for Leung's resignation came even before he entered office, as a scandal over unauthorized additions to his home led many to question his personal integrity.

While simply expanding one's living quarters by adding storage room and other facilities seems innocuous and unlikely to trigger public uproar, Leung compounded his win against his campaign opponent, Henry Tang, by grilling him for skirting land laws and adding extensive illegal additions to his home, despite Leung having apparently committed the same offense.

Beijing-phobia

To make matters worse for Leung, he is widely viewed as a lackey for the Chinese Communist Party, and an enabler of the collusion and corruption between the government and the island's property cartels. Those calling for his resignation tend to be part of a university-educated middle class increasingly pinched by soaring inflation and property rates, unable to envision ever being able to afford their own property and getting a piece of the 'Hong Kong dream.'

These protestors have pushed for more democratic freedoms and civil liberties, in addition to adamantly opposing mainland-Chinese encroachment and championing Hong Kong's distinct historical identity. Negative stereotypes of mainland Chinese have prevailed in Hong Kong, as residents often characterize their migration into the island as a 'locust infestation,' turned off by what they perceive to be a lack of sophistication in mainlanders and their contempt for sanitary regulations. Some, mostly the working class and seniors, engage in counter protests with the view that closer integration with Beijing falls within their long-term economic and democratic interests.

In September 2012, the demands of tens of thousands of protestors were heeded with the scrapping of a [controversial plan](#) to implement Communist Party doctrine into mandatory national educational curriculum. In an attempt to bolster Chinese patriotism, Beijing's proposed curriculum lauded China's one-party rule over the "inefficient" and inconsistent multi-party democracies of the West. Protests were led by the Hong Kong Professional Teachers' Union and concerned parents, who likened the program to brainwashing their children with Communist Party dogma.

Fung Wai-Wah, chief of the teachers' union, claimed that the proposed curriculum contained "biased and untruthful information about the mainland aimed at sycophancy and singing Communist China's praises and is completely discordant with education's aim to foster independent and critical thinking." Indeed, education is not the only area in which Hong Kong residents are feeling the burn of what they perceive to be an oppressive 'sino-fication.'

The face of the city is changing; mom-and-pop shops selling wonton noodles and local sweets are unable to meet the demands of landlords asking for ever-increasing rents and are forced to close. They are often swallowed by a sea of brand-name shops selling obscenely expensive and unnecessary luxury goods that cater to mainland tourists with bottomless pockets.

The rise of new money in China has left the people of Hong Kong feeling displaced in their own community, crediting mainlanders with raising consumer prices, contributing to overcrowding and weeding out local enterprises by spoiling the island's big businesses, not to mention the enormous animosity stemming from mainlanders being given higher priority in Hong Kong's universities.

While the increased economic engagement with mainland China after the handover has brought much prosperity to the island, the stampeding inflow of mainland mothers seeking to give birth in Hong Kong to secure residency permits for their offspring has become such a problem that Leung introduced a policy [banning their deliveries](#) in Hong Kong hospitals

unless they were wed to a local, which many interpreted as a bid to boost his paltry 35 percent approval rating. Despite this legislation, property investment is the most reliable means for mainlanders to obtain residency permits, and they tend purchase at least [40 percent](#) of new home sales.

Special Plutocratic Region?

While few disagree that Leung's tenure has kicked off in a weaker position than either of the two CEs before him, political issues are only one factor in the equation. The Heritage Foundation, a US-based thinktank that claims to author "conservative public policies based on the principles of free enterprise," has dubbed Hong Kong as one of the world's freest economies for its "small government, low taxes, and light regulation."

Despite this praise, the inherent flaws of island's economic structure has caused many Hong Kong residents to note that only a handful of the richest families hold monopolies and duopolies on everything from supermarket chains and property developments to public transportation systems, electricity providers and public service companies.

Monolithic cross-sector corporate entities such as Cheung Kong Holdings, Sun Hung Kai Properties, and New World Development mostly started as property development firms, but incrementally expanded and began usurping public services. Legal provisions in the Sino-British Joint Declaration, negotiated and agreed upon in 1984 to prepare for the handover in 1997, stipulated that only 50 hectares of land were to be granted in any one year, guaranteeing that property would remain scarce, and consequently unaffordable for most.

Despite being lauded by the researchers at the Heritage Foundation, wealth disparity has become such an issue in Hong Kong that the city now has the biggest wealth gap in Asia. Although its economy has grown 62 percent since the handover, the median monthly household income – around \$2,500 – has remained essentially unchanged since the transition. Li Ka-Shing, a philanthropist native to Guangdong province, is the world's 16th wealthiest individual with a net worth of \$21.3 billion. (Perhaps calling him Li Cha-Ching would be more suitable!)

Li's family controls Cheung Kong Holdings, Hong Kong Electric, Cheung Kong Infrastructure and several other companies that account for around 5 percent of the total capitalization of the Hong Kong [stock exchange](#). Another tycoon, Lee Shau-Kei, runs Henderson Land, Henderson Investment and the Hong Kong and China Gas Company, and has an estimated \$19 billion in the bank. Recent demonstrations in Hong Kong must be seen not only as a political outcry, but also as an economic one, as the island's 7.1 million people live in captivity under the thumb of a few monopoly men who control politics and markets, and set pricing through short supplying.

Attempts to liberate the economy by shaking off the monopolies have come in the form of several bills; the [Competition Bill](#) has been negotiated since 2006 and calls for "prohibition on the abuse of a substantial degree of market power," and the formation of a judicial enforcement model, where a competition tribunal would have the mandate to sanction offenders. The bill's provisions are scheduled to fully come into force in 2013 or 2014.

Lawmakers haven't had much success in passing meaningful anti-monopoly legislation. Figures such as Albert Chan Wai-Yip, a member of Hong Kong's Legislative Council, has cast doubt of the impact of "toothless" anti-monopoly bills and the local government's commitment to genuine reform.

"The scope of exemption of the bill is too large to be effective," he said. "First of all, the government or statutory bodies are granted full exemption of the law. More seriously, there is no legal limitation of market share to prohibit monopolistic control of the market. On the other hand, it will be very hard to collect evidence of price-rigging between oligarchic coalitions, which frequently happens in Hong Kong now."

Which way will Xi Jinping swing?

China's next president, Xi Jinping, will formally take the top spot in the Communist Party in March 2013. During November 2012's Communist Party Congress, incumbent President Hu [spoke of continuing reforms](#) of the political structure of the party by making "people's democracy more extensive, fuller in scope and sounder in practice," though he warned that China would never copy a Western political system.

It's becoming more apparent that China's leadership recognizes the need to address the complete lack of public participation in the political direction of the country. Hu also spoke of "diversifying the forms of democracy" and "democratic elections." Could he be foreshadowing an incremental relaxation on political expression and dissent?

And what of Hong Kong? Beijing has promised to allow the island's chief executive to be directly elected by 2017 at the earliest, with Hong Kong's Legislative Council elected by universal suffrage in 2020, but many doubt the overall framework of the system and its ability to be representative of common people. Plato once alluded to the purpose of the oligarch, which was to simply perpetuate the oligarchy - in modern-day Hong Kong's case, there is very little to indicate otherwise.

It is in this context that we must interpret the recent trend of protestors carrying colonial Hong Kong flags depicting the Union Jack, a move that has certainly caught the ire of officials in Hong Kong and Beijing alike. The unfurling of the colonial flag in present times carries with it the distinction of Hong Kong being an altogether separate entity from China - culturally, politically, economically - in the minds of protestors. Strangely enough, a protestor was quoted during the [New Year's Day 2013 march](#) as saying, "We have the same blood but not the same values. That's why we aren't Chinese. Even though this is a colonial flag, it represents freedom."

While President Hu speaks of never copying a Western political system, it should be noted that Hong Kong's administrative system is essentially a direct copy of the imperial British economic system; today's local government is the sole distributor of property, much like how all land was once under the Crown. Indeed, Hong Kong was the model for the first Special Economic Zones introduced under Deng Xiaoping once China began its shift toward market reform.

Just as China has learned a thing or two from Hong Kong, it's very plausible that Beijing fears China's mainlanders will learn a thing or two from Hong Kong – particularly, a proclivity for holding mass anti-government demonstrations. Beijing will be making all efforts to ensure that Xi's transition process is smooth and unhindered. Certainly, any civil disobedience and calls for universal suffrage emanating from Hong Kong will be perceived as a nuisance.

Xi Jinping will become China's first leader to enter office with firsthand experience in dealing with the affairs of Hong Kong and Macau; additionally, two of the six other members of the Politburo Standing Committee have also regularly met with Hong Kong officials and dealt with the island's affairs throughout their careers. Despite this, Xi will be eyeing stability, and is not expected to immediately change his tune on allowing more political freedoms in Hong Kong. Xi may find himself in a sticky situation if China's economy continues to slow – rising unemployment and calls for greater representation are not the Communist Party's cocktail of choice.

No Confidence

Chief Executive Leung Chun Ying finds himself in a tough position: He has very little public confidence, and although he has appeased some by cracking down on the influx of mainlanders, he is viewed by many as being incapable of acknowledging the root causes of discontent. Namely, the economic system and the political structure. It should be pointed out that if these demonstrations continue and talk of independence finds its way into the dominant discourse, Beijing has a legal mandate to intervene with force if the local authorities are not able to control the situation.

Residents of Hong Kong have a history of having their demands acknowledged; in 2003, former CE Tung Chee Hwa was compelled to shelve national security legislation after hundreds of thousands rallied against it in fear of the bill curbing their freedom of speech. Tung later resigned in 2005 over mass dissatisfaction; this should make Leung sweat a little bit, especially considering that discontent has become alarmingly high in the earliest stages of his leadership.

For now, it's worth keeping a focus on developments in Hong Kong to see what kind of reverberations, if any, reach the mainland approaching Xi's ascendancy. If anything, the preeminence of the colonial-era flag over 15 years after the handover is indicative of policy that needs some reexamining.

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