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**LI KA SHING LECTURE BY MR LEE KUAN YEW,**  
**SENIOR MINISTER OF SINGAPORE**  
**AT THE UNIVERSITY OF HONG KONG ON**  
**14 DECEMBER 1992, 5.30 PM**

A Tale of Two Cities - Twenty Years On

I Introduction

It is my honour to inaugurate Li Ka Shing lectures to commemorate the 80<sup>th</sup> anniversary of the founding of Hong Kong University. This lecture series bears the name of a successful Hong Kong entrepreneur who has devoted a part of his wealth for the benefit of the people of Hong Kong and of Swatow where he was born.

2. Some 20 years ago, in February 1970, this University honoured me with a Doctorate in Law. Your Vice-Chancellor, Dr Wang Gungwu, reminded me that I had then spoken about a tale of two cities. He hoped that I would pick up the theme.

3. I re-read my address with apprehension for I had ventured to look ahead some thirty years to the year 2000. I ended my address thus:

“The middle-term future, around the year 2000, is more difficult to predict. But beyond that, into the long-term future, the peoples of Hong Kong and Singapore may have significant, even exciting, roles to play. As pioneers in modernisation of their regions, Hong Kong and Singapore can act as catalysts to accelerate the transforming of traditional agricultural societies around them. These two most improbable and unlikely of places could deserve a mention in the history of human progress as centres which helped spread new styles of working and living, which are part and parcel of the urbanised industrial technological society.

“By design, Hong Kong and Singapore were chosen as trading beachheads to a vaster hinterland. They performed valuable roles as redistribution points for the manufactured goods of the West.

By the accident of subsequent developments, they may become dissemination points, not simply of the sophisticated manufacture of the developed world, but more vital, of social values and disciplines, of skills and expertise.

“My conjecture is that one day some research student will explain all this more lucidly and in scholarly language. But the conjectures do not earn degrees.”

4. As it turned out, Hong Kong and Singapore have played the roles of catalysts for economic change in their respective regions. Singapore has seeded economic development in her neighbours. Hong Kong has transformed Guangdong province, and when the roads and railways are ready, will transform the area south of the Yangtze all the way up to Wuhan.

5. Everybody in Hong Kong thinks of 1997 and of the fifty years after that. It is a dangerous fallacy that forecasts can be made over a fifty year time-frame. Fifty years ago, in 1942, Hong Kong was under Japanese occupation. Its population was decanting into the China mainland as food and medicines got scarcer.

6. Nobody in 1942 could have predicted how radically the world would change after the war. Such enormous forces were let loose by World War II that it was impossible to predict the totally different setting within which Hong Kong has had to develop in the last 50 years. In 1949 China became communist.

In December 1950, Chinese troops crossed the Yalu River to join the N. Koreans in their war against the UN forces led by the US. The US imposed an economic embargo on China that was not lifted until February 1971 when President Nixon prepared for his visit to China. Cut off from China, Hong Kong faced a bleak future. Yet against all odds, 50 years later in 1992, Hong Kong is a dynamo for the industrialisation of China. So who is prepared to risk predicting the next fifty years?

## II Differences between Hong Kong and Singapore

7. In the last 20 years Hong Kong and Singapore have gone in different political directions. Singapore has been nation-building to develop a separate and distinct identity. Hong Kong has not. Singapore's geographic distance plus its demographic setting has led to a Singaporean identity which is separate from the Chinese in China. Hong Kong did not attempt, indeed was not permitted, to develop one. Hong Kongers' identification with Chinese in China was most evident from the anguish of Hong Kong Chinese at the tragedy of the students at Tiananmen on June 4, 1989. The public outpourings of rage and bewilderment in Hong Kong contrasted with the more subdued and restrained demonstration of some thirty Singapore university students who presented a protest to the Chinese Trade Office in Singapore. This difference in emotional commitment was again

evident during the floods in China in June/July 1991. Hong Kong people reacted viscerally as Chinese. Chinese Singaporeans reacted more quietly. Chinese Singaporeans contributed only US\$1.2 million. Hong Kong Chinese contributed US\$170 million; Taiwan US\$50 million, Malaysia US\$1.2 million. The amounts reflected the degree of emotional involvement.

### III Hong Kong - leaner and keener people

8. I first visited Hong Kong in April 1954 on board an Italian ship, The Asia. I stayed onboard whilst it was in port for 4 days. I wandered up and down the small narrow hilly streets that characterised Hong Kong. It was very much a Chinese city, not unlike Singapore, showing some of the dilapidation of almost 4 years of Japanese Occupation.

9. I had a suit tailored within 12 hours, measured in the morning, a fitting in the afternoon and the suit delivered to my cabin on the ship that night. It made a deep impression on me. Singapore tailors do not work at that speed. In 1962, I visited the Governor of Hong Kong, Sir Robert Black. He had been Singapore's Governor when I was leading the opposition. He defensively explained that it was not possible to prepare the people of Hong Kong for self-government and independence because it would lead to problems with China.

10. After Singapore unexpectedly separated from Malaysia and became independent in 1965, I developed a professional interest in Hong Kong. I was presented with the awesome task of making a living for about 2 million people in a small island, a former colonial military outpost whose main economic function was that of an entreport for a region which had become intensely nationalistic. I thought I would learn from Hong Kong which had also been cut off from its hinterland, mainland China.

11. From the late 1960s, I have visited Hong Kong almost every year, to study and to understand why Hong Kong people work with so much drive and vigour than the people of Singapore, and to learn something from them. They paid for their education, they paid for their medical services; the government owed them nothing and provided only shanty huts on the hillsides. They paid their way, and built modern Hong Kong.

12. Through watching Hong Kong, I concluded that state welfare and subsidies blunted the individual's drive to succeed. I watched with amazement the ease with which Hong Kong workers adjusted their salaries upwards in boom times and downwards in recessions. I resolved to reverse course on the welfare policies which my party had inherited or copied from British Labour Party

policies. I scaled back on subsidies except where they made the person more productive through better education, better health and better housing.

13. The Singapore worker is not psychologically geared to be as independent-minded and resilient as the Hong Kong worker. Singapore worker votes for his Government and then expect his ministers to take care of his livelihood and his children's future. On the other hand, Hong Kong people are very independent-minded. They expect little of the colonial government. This is the key to understanding Hong Kong's dynamism. People in Hong Kong accept responsibility for their own lives and livelihoods. This attitude was strengthened by the grimness of life under communism just across the border, at least until conditions improved in the 1980s as a result of Deng's open-door policies.

14. Had there been party politics in Hong Kong competing for the right to form the government, economic and social interest groupings and trade unions would have emerged. Then pressures for redistribution of wealth and subsidies for welfare would have been irresistible.

15.           Whatever the reasons for past success, the future promises more anxiety and uncertainty largely because of the uncertainties of the politics of China. Conflicts, ideological or factional, in Beijing will keep Hong Kong people on their toes. The consolation is that this will keep Hong Kong people on the go. It may be bad for peptic ulcers but it is good for economic growth.

IV    Before 1997 Hong Kong's Separate  
Power Grid

16.           Up to 1984, Hong Kong had, to use an analogy, a separate power grid. The United Kingdom's sovereignty over Hong Kong has acted as a buffer against any sudden power surge or power failure on the mainland. Hong Kong was more or less insulated from the Great Leap Forward in 1959, and the Cultural Revolution in the 1960s, and Tiananmen in 1989.

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17.           After the Joint Declaration in 1984, the transition began for one connected grid. After 1997, although Hong Kong will be autonomous, a breakdown in the power supply in China will affect Hong Kong because the power grid will then be one. In fact, increasingly, it is already becoming one grid. Since Deng Xiaoping's open-door policy in 1978, Hong Kong has at first gradually and now rapidly, engaged and locked into South China's economy.



4,000-5,000 Hong Kong entrepreneurs have some US\$20 billion invested in Guangdong, employing some 3 million workers. This has transformed Shenzhen, the Pearl River Delta and Guangzhou. Eventually it can transform the whole of China south of the Yangtze.

18.           The more Hong Kong penetrates China's economy, the more China's economic well-being will affect Hong Kong's. And China's economic well-being depends upon her political health. After the US embargo on China in 1950, Hong Kong lost her traditional entrepot role. It had to build an outward-oriented economy, manufacturing for export to the world, especially America and Europe, and developing banking and financial services.

19.           The trend now is to revert to Hong Kong's traditional role of servicing China. So whether it is manufacturing, trade or tourism, an increasing part of Hong Kong's economic activities are China-related. When tourists to China dropped, tourists to Hong Kong also dropped. When Hong Kong's industries grew in China, her container ports became busier. I believe Hong Kong would do well to make a special effort to sustain and expand her other economy which supplement her economic links with China. For the more Hong Kong has of these international links, the more useful it will be to China.

Moreover, diversification will diminish the impact of any slowdown of economic growth in China.

#### V Special Network - Chinese Diaspora

20. Hong Kong has a network of links with the Chinese diaspora. Some 24 million Chinese are scattered through Southeast Asia, North America, Europe and Australasia.

Southeast Asia	21,353,500
USA	1,000,000
Canada	450,000
Latin America	302,909
Europe	408,000
Australasia	303,000
<b>Total</b>	<b><u>23,817,409</u></b>

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(Statistics on the population of the Overseas Chinese in the world  
by Huang Zhaohui in Studies of Overseas Chinese)

21. The breakdown in dialect groups is:

<u>Dialect Group</u>	<u>Number of Chinese Emigrants</u>
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Cantonese	5,000,000 +
Hokkien	5,000,000 +
Teochew	5,000,000 +
Hakka	3,000,000 +
Hainanese	1,600,000 +

(Source: Li Yuan & Chen Da Zhang, "Distribution of Overseas Chinese", in "A Brief Account of the Overseas Chinese and their Countries of Residence

(Beijing: Zhongkuo Huaqiao Chuban Gongshi, 1991, P.5)

22. Historically, emigrants from Guangdong have left via Hong Kong. The Cantonese and the Teochew are two of the largest groups in Chinese diaspora, with Cantonese more in North America, and Teochews and Hokkiens more in Southeast Asia. Hong Kong has some 70% Cantonese, and 18%

Teochews and 13% Hokkiens. Since 1984, there have been further outflows from Hong Kong of about 40,000 - 60,000 per annum to North America. Many cities have more than 100,000 Chinese population.

<u>Size of Chinese Population</u>	<u>USA</u>	<u>Canada</u>	<u>Europe</u>
more than >100,000	San Francisco	Vancouver	Paris
	Los Angeles	Toronto	
	New York		
	Houston		
	Washington DC		
less than <100,000	Honolulu		London
	Chicago		
	Seattle		
	San Diego		

(Source: Li Yuan & Chen Da Zhang,

“Distribution of Overseas Chinese, in A Brief

National Archives of Singapore  
 Account of The Overseas Chinese and Their  
 Countries of Residence, p.3)

23. They are Hong Kong’s intangible assets, an invaluable network for trade, investments, mutual help and mutual sustenance. These are assets created as a result of the turmoil and disorder in the last 100 years of the Ching Dynasty. Millions fled hardships and persecution as China fell apart. They and their

descendants will together with the more recent emigrants enable Hong Kong, especially the Cantonese, to play an important part in supplementing China's links with the outside world, links without which China will not be able to modernise so speedily.

## VI Shanghai versus Hong Kong -

### The Challenge

24. Hong Kong needs no reminding that before 1945 Shanghai was the preeminent international city on the China coast. It was more advanced than Hong Kong. Anybody who has been to Shanghai will know how much Shanghainese leaders chafe at their retarded condition. They want to make up for lost time and to reclaim their role as China's pre-eminent international city, China's interface with the world. When they get the funds, the physical infrastructure of transportation and communications will be in place within 15 to 20 years. But it will take Shanghai more than 20 years to catch up if Hong Kong remains ahead in her other advantages, especially her widespread and easy links with the West made possible by the use of the English language.

25. After 1997, there may be a tendency to lessen the emphasis on English in education. This would be a mistake. The younger generation's competence in English needs to be nurtured. Hong Kong has not yet developed an indigenous English-speaking environment. Even Singapore where all schools have been teaching English either as the first or second language for more than three decades, is only gradually developing one. Therefore Hong Kong's facility in English has to be actively encouraged and sustained for international business.

26. Hong Kong should attract and enlarge its larger resident foreign business community by providing an easy and congenial atmosphere where people enjoy privacy and anonymity, plus the comforts of life in a well run city.

27. But the most important advantage of Hong Kong is the legal system. This is the social infrastructure that Shanghai and indeed China as a whole will find most valuable but most difficult to establish. To understand the gap between the Chinese system of law and that of the US or the UK from which Hong Kong law is derived, let me quote excerpts from two books.

## VII Weak Legal System

28. The first book is “China’s Civil and Commercial Law” by Henry R Zhang a PRC trained lawyer who did postgraduate work in US where the book is published. On page 1: At the founding of the PRC in 1949 they abolished “all laws and regulations and the whole judicial system of the Guomindang (Nationalist Party) reactionary government which oppress the people,”...“The PRC government set itself the difficult task of establishing from scratch a whole new legal system which had to be both socialist and Chinese.” They will take many years to complete this task.

29. The second book is “China Business Strategies” by Nigel Campbell and Peter Adlington, China Research Unit, Manchester Business School.

(i) “During periods of strong rule, Imperial power reached into the furthest corners of the Chinese Empire. The exercise of this power was arbitrary and brutal: the Mandarin was both prosecutor and judge. A separate judiciary was never established, and hence the ordinary person never looked to the law to settle his grievances. Traditionally he would take the law into his own hands. The modern equivalent of this situation is that the bureaucrat interprets central regulations to suit the conditions of his own province or city.” (page 9)

(ii) “Family ties and a close-knit peasant society have lent value to personal relationships. Where there is not enough food to eat, not enough room on the bus or not enough steel for the factory, personal relationships are vital. They provide the lubricant which smooths away anarchy. “Guanxi” is the asset value of personal relationships built up from family, village schoolmates and so on.” (page 9)

(iii) “In short, Chinese law is flexible and open to interpretation by officials, whilst Western law is rigid and can only be interpreted by the courts.” (page 24)

(iv) “The courts are weak and ineffective: they lack prestige and the ability to implement their judgments, and frequently they are staffed by ex-policemen or ex-military men who have little legal training.” (page 25)

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30. I believe Hong Kong's established legal system is a vital economic asset. It will not be difficult for Shanghai or China to enact a complete set of civil and criminal codes. But it will be difficult to get such laws understood and accepted by the people and implemented by ministers and officials. Nor will it be easy to set up independent courts with judges whose integrity and independence are accepted and respected.

### VIII A Role of Government in Hong Kong

31. The role of government in Hong Kong is that of a referee. In today's terms it is to "ensure a level playing field" for all players whether Hong Kong, foreign or PRC. This is what Hong Kong's legal system provides. Indeed, a significant proof of the value of the legal system has been the increasing numbers of PRC firms which are set up in Hong Kong. They all need Hong Kong offices to service the export contracts of their enterprises. Contracts with the Hong Kong branches of PRC enterprises are governed by Hong Kong law. Any dispute can be resolved by arbitration or through the courts. Judgments are easily enforced. This is an immense advantage when doing business. In the PRC these remedies are not available. Arbitration awards often cannot be enforced, even when the courts in Beijing order their enforcement.

32. In China the laws are incomplete and rules and procedures not transparent. “A level playing field” is not part of Chinese culture; “guanxi” or personal links is. So it is no surprise that more than 70% of the direct foreign investments in China in the last few years have come from Hong Kong, Macau, Taiwan and the overseas Chinese. Ethnic Chinese investors have been able to overcome the absence of clear laws, transparent rules and independent courts.

## IX What Singapore gains from a thriving

### Hong Kong

33. Time and again, foreign journalists have asked me how much will Singapore gain from the “1997” problems of Hong Kong. They thought it self-evident that Hong Kong’s loss was Singapore’s gain. They found it difficult to understand why Singapore’s policy is to support Hong Kong, to increase confidence in Hong Kong.

34. Singapore’s objectives are long term, both economic and political. China will need several decades to equip herself physically and socially to become an industrial nation. China needs Hong Kong for this task of modernisation. But there will be uncertainties over China’s political leaders and their policies for some time. This puts stress on Hong Kong. Singapore is

similar to Hong Kong in many ways and can be of use to help Hong Kong tide over periods of stress.

35. Already over 5,000 Singaporean executives and professionals have taken up jobs in Hong Kong to replace those who have left. There will be more linkages. Singapore offers quick replacements for personnel and expertise which Hong Kong can draw upon whenever the need arises.

36. If Hong Kong shrivels and shrinks, Singapore's gain is one-off. The shop is cleaned up, once and for all. The other way, China, Hong Kong, Taiwan and the rest of East Asia including Singapore will be gainers.

#### X Common historical experience

37. Historical experience under British colonial rule for over 100 years has given Chinese Singaporeans and Hong Kong Chinese many common terms of reference. They experienced the same British colonial system of British Governors, the colonial civil service, police, the courts, and the ways of British merchants and their families when abroad in the Empire. The British also left a legacy of education in the English language and the rule of law.

38. Hong Kong will be worse off if she does not retain the instruments of government which the British brought, an effective, fair and impartial civil service, the rules and procedures of administration, General Orders, Instruction Manual, the tender system for contracts, proper examinations and qualifications for professionals, links with British and Commonwealth professional institutions worldwide. Hong Kong will have semi-sovereignty, with separate membership of GATT, the World Bank, ADB, APEC, and several other international organisations. They are invaluable assets. But after 1997 Hong Kong cannot maintain the close links she has had with Britain and the other Commonwealth countries. But through links with Singapore, Hong Kong can keep abreast of changes and advances in Commonwealth laws and professional practices. These have the makings of a long term symbiotic relationship.

39. Singapore has maintained good relations with China and Taiwan.

Hong Kong can use the Singapore connection to keep up economic and other ties with many countries she would otherwise be cut off from after 1997.

## XI Support for Hong Kong after 1997

40. What support can Hong Kong expect after 1997?

- (1) Britain will have a role in the Joint Liaison Committee for another 3 years up to the year 2000.
- (2) The “HK Policy Act of 1992” has been passed by Congress and signed by the President. This Act requires that the Secretary of State reports to Congress on the conditions in Hong Kong, including the development of democratic institutions, and the status of ties between Hong Kong and the United States after 1997. If either the report were to state or the US president determines that Hong Kong has insufficient autonomy, the president can treat Hong Kong as he does China which can mean that MFN status and access to sensitive technology can be restricted or denied.

41. But this external support is not reliable because it depends on the state of US-China relations. Hong Kong’s own capability is its professional and business establishment’s ability to leave Hong Kong. Professionals and businessmen who have PR status abroad are in a position to ask for conditions in Hong Kong which will make it worth their while to stay on. If not, they can

leave and will do so. There is no need to challenge the PRC politically. I believe that China will leave things as they are in Hong Kong because the expertise of the professionals is needed and irreplaceable for a long time. More than 60,000 Hong Kongers a year have got permanent residence abroad. Many have returned to work in booming Hong Kong. Their PR status will be their assurance of reasonable conditions to keep them working in Hong Kong.

## XII The Transition: Full British Rule to SAR

42. Singapore had a leisurely 17-year transition from the first elections to the Legislative Council in 1948 to independence in 1965. In 1955, Singapore had our first partially elected government with an elected Chief Minister. In 1959, Singapore had complete internal self-government with no British officials in the Legislative Council or in Government. Singaporeans replaced British officials in all key jobs within a few years but these local civil servants had already had some time to grow into their jobs.

43. Hong Kong's transition is short and will be swift. The first elections to Legislative Council were in September 1991, less than six years before the end of British rule. The next elections are due in 1995, only two years before the end of British rule. Only the Chief Justice and the Commissioner of Police are

Hong Kongers. In just over 4 years, many important heads of departments must be Hong Kongers. The transition will not be easy. It will be dangerous to assume that morale, discipline and standards can be maintained if there is no climate of confidence. So the politics of the transition has to be sensitively handled.

44. Within the next four years, Hong Kong's Governor must in consultation with his PRC counterparts, decide on the men who will take over the administration. They must have the ability to run the system in Hong Kong and also have a deep, almost instinctive, understanding of the communist mandarin mind. Otherwise one country, two systems, will not work smoothly.

45. For a successful transition, such men must be put in charge of the administration before 1997. They must have a grasp of the practice of the system of government in Hong Kong, and also be able to explain and persuade PRC mandarins that the Hong Kong system must necessarily be different from the mainland's, because this is what international business has been accustomed to and expects of Hong Kong. I believe finding the right men for these jobs is more critical than whether Hong Kong has 20 or 40 or more members who are directly elected to the Legislative Council. Hong Kong has never had self-government. It has always been ruled by appointed Governors. And when they were good, Hong Kong prospered.

46. British Governors were accountable to the Secretary of State for the Colonies in London, not to the people of Hong Kong. The former Colonial Office had a system which monitored the performance of all Governors throughout the Empire. Under article 43 of the Basic Law, Hong Kong's Chief Executive is "accountable to the Central People's Government and the Hong Kong SAR." Article 73(5) empowers the LEGCO "to raise questions on the work of the government". The Hong Kong LEGCO will be able to monitor the Chief Executive's actions and hold him to account.

47. I see no reason why Hong Kong and China should not continue to boom for the next 10-20 years and more years, along with the rest of East Asia. There will be turbulence in the next year or two as the Clinton administration settles its long-term policy on China, including its threat to withhold MFN unless there is progress in democracy and human rights. I said at the beginning, to look further into the future is to venture into the realm of conjecture. But considering Hong Kong's record in the last 50 years, I would bet on it, that Hong Kong will boom because she serves China's industrialisation and China will boom.