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## Complex globalization systems and new risks of state government: Hong Kong as an object of pre-designed crises implementation

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### Abstract

In the article, Hong Kongese economy is analyzed as an object of pre-designed crises. It is demonstrated that the weakness of Hong Kong in mining and oil drilling areas in the face of the forthcoming worldwide energy crisis together with its complex geographical situation may bring lots of political and economic instability not only to it but to the region of southern China. The “umbrella’s protests” of 2014-2017 are provided as examples of such instability. The separation of UK and Hong Kong is studied in the context of the disputable concept of “nation of the Hongkongers”. The reasons for which Hong Kong was transferred to China, are discussed. The impact of Tiananmen Square events on the political and economic situation in Hong Kong is mentioned. Very close relation between major world economic crises (1997, 2002 and 2008) of the last two decades and the pandemics originated in Hong Kong, is shown. The epidemics are discussed: “bird” influenza H5N1 (1997), “swine” influenza H1N1 (2008) and atypical pneumonia SARS (2003), in terms of their connection with economic crises, are studied. A moment of truth will come for Hong Kong in 2047, when the Hong Kongese will have to either openly challenge China by asking for foreign, chiefly US support, or recognize themselves as the Chinese and become a part of the Chinese province of Guangdong.

### For citation

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### Keywords

Hong Kong, economic crisis, global economic crisis, planned crises, epidemic, pandemic, SARS, avian flu, swine flu, China.

## Introduction

Although the relationship between People's Republic of China and Hong Kong was never as turbulent as that of PRC and Taiwan, in the 21st century, this Chinese "younger brother" with a truly market economy represents a cause for the PRC leadership to become increasingly worried. What will be the possible fate of Hong Kong in the situation of global energy crisis?

Anyone who thinks that Hong Kong is a city, most likely, was never there. This is the territory that includes the mainland part (Kowloon peninsula) and more than 260 islands in the South China Sea. Despite a tiny total area (426.5 square miles), Hong Kong is considered the most densely populated region of the world and in July 2010 there were 7.089 million inhabitants, which in terms of population density is 16621 people per square mile – this is more than density population in the center of Tokyo [Erni and Leung 2014, 20]!

## Main part

Traditionally, Hong Kong was always viewed by the Western politicians as a “gateway to the East”: to China, Korea, Indonesia, Philippines, Japan and other countries in the Far East region. Moreover, Hong Kong was a point of intersection of all merchant, economic and financial routes of Asia, for a long time. This results from its very auspicious strategic position. Pragmatic British Empire made Hong Kong its colony and established purely British customs there, such as finance, right-hand drive rule and education system [Buckley 1997, 34-38].

In the second half of the 20th century, when the colonial system of UK was strongly transformed, many Hongkongers expected the same fate that was destined for many territories dependent on England, i. e. becoming an independent state within the British Commonwealth with the official head of the state being an English monarch. In such states, Queen Elizabeth II appoints a governor-general who represents her interests in the state, but the actual power is in the hands of the prime minister, elected without any interference of Britain [Ash et al., 2003, 44]. What can result from such a system of distribution of power? It can be easily understood by recalling that such political system is employed by politically independent and highly economically developed Canada, Australia and New Zealand. Thus, in the early 1980s, Hong Kong faced the prospect of becoming a “small Canada”, which most Hong Kong people reposed their hope in [Ming, 2006, c. 520-521] (table 1).

**Table 1 – Hong Kongers' vision of their future in 1970-1980s.**

Poll year	Support of colonial system, per cent	Hong Kong is a member of British Commonwealth, per cent	Completely independent Hong Kong, per cent	Hong Kong is a part of PRC, per cent
1975	8	22	18	4
1980	6	23	20	1
1984	3	47	12	0.5

There is an obvious growing reluctance in the 1980s of the Hong Kongese to become a part of mainland China, despite the fact that there is no Hong Kong nation. The fact that nearly half of respondents in Hong Kong (for the results of any survey is a really huge figure) tended to adopt the Canadian and Australian model of statehood, is also remarkable.

But what really happened after the British left Hong Kong? Margaret Thatcher's government, probably after serious discussions came to the conclusion that Britain should bet not only on the Asian

“dragon” Hong Kong, but his “older brother”, as it was done in our time, for example, by Obama administration concerning China and Taiwan.

It is even more unusual that in 1984, when it signed a joint Sino-British Declaration regarding Hong Kong, China was purely a socialist country with a command economic and administrative system and the very low economic growth. No one economic area in China could successfully compete then with the expanding market economy of the “Dragon”, which at the time discussed exceeded all countries in the Asian region in terms of annual GDP growth [Cheng et al., 2013, 530]. Now, after 34 years, it is difficult to say exactly what circumstances influenced Thatcher then, but the fact is rather clear, England betrayed their former colony to some extent, having signed a separate treaty with China. Perhaps, it was the friendship with Deng Xiaoping or the simple calculation of further political gains for Britain that influenced Thatcher’s government.

It was announced then officially about the forthcoming end of the lease, the contract that was signed on strange and even illegitimate terms in 1842 after the First Opium War [Carroll, 2007, c. 47-49]. Anyway, in 1984, the fate of Hong Kong was pre-destined: in 1997, the complete transfer of sovereignty over the territory was to be transferred to the PRC. However, some concessions to the former colony were made: Hong Kong was not to become just a province of China, but a special administrative region with its own economic and political status. It would seem that there is no drawback in the project of Thatcher and Dan Xiaoping: both cabbage and the goat were safe. But the agreement of China and the UK has a very delicate moment: Hong Kong has the legal right to self-government for only 50 years until 2047. What will happen to Hong Kong afterwards is not clear from the text of the treaty.

The reaction of the Hong Kongese to the actions of Great Britain and China was cool enough; in fact, the fate of the people was decided behind them, although China gave Hong Kong such rights that the people of provinces of the mainland country could only dream of [Chen, 2011, 83]. But any legal rights in the relationship of the younger brother with the elder one is a controversial thing, especially if it is a matter of the relationships with the PRC, which observes the iron discipline in the family and may chastise the disobedient.

In 2014, Hong Kong came into large motion: a considerable number of residents went out to the streets and started mass protests against the Chinese government and the impending loss of autonomy (so-called “umbrella protests”). These peaceful performances continued for the three years with varying degrees of intensity.

In the former times, many wealthy Chinese went to Hong Kong and deposited their funds in local banks, bought expensive cars and apartments, purchased furs and diamonds for their wives, and at the same time visited neighboring Macau to lower their income in Macau casinos. At those times Hong Kong also acquired an halo of significance and elitism, a restricted place for the hoi polloi. But time has been passing, and the situation changed. In Shanghai, now there are boutiques that are much more expensive than in Hong Kong, and the Shanghai and Shenzhen securities markets are almost twice as high as Hong Kong in terms of financial turnover. Nowadays Hong Kong has ceased to be an elite back door for Chinese nouveaux riches.

Relations between the PRC and Hong Kong changed dramatically after 1989, when the infamous events at the Tiananmen Square took place (“June 4 events”), after which a massive influx of refugees from the mainland started in Hong Kong, causing panic among the most liberal parts of its population. The fear of Beijing invading increased to such an extent that many Hongkongers began to perceive the date of 1997 in the same manner as the Western people expected the year 1984 and the possible fulfillment of Orwell’s prophecies. This gave rise to a mass emigration of dissatisfied Chinese from Hong Kong to the United States and countries of Southeast Asia and the formation of numerous Chinese diasporas there.

For our analysis, the most important thing is not the whole picture of the Tiananmen events themselves, but the way they influenced Hong Kong. The credibility of Beijing was greatly undermined, which caused mass emigration. Nevertheless, the year 1997 passed in a completely calm manner, and the keys of Hong Kong were peacefully handed over to CPC General Secretary Jiang Zemin. There was no massacre in Kowloon peninsula, despite the apocalyptic prophecies of Chinese liberals.

The stability of Hong Kong was undermined by another cause, the economic crises of 1997, 2002 and 2008, as well as numerous speculations about the epidemics: “bird” influenza H5N1 (1997), “swine” influenza H1N1 (2008) and atypical pneumonia SARS (2003). The information about all the horrors of these two legendary “pandemics” instigated by different media caused the panic in Hong Kong much more than any real case of the disease. The authorities and media of Hong Kong immediately tried to blame the PRC for the appearance of new, hitherto unknown terrible viruses; in dirty Chinese villages these terrible virus monsters allegedly appeared [Lee, 2006, 31]. It is rather strange, if we recall that it is Hong Kong and not the neighboring Chinese Shenzhen, that the World Health Organization calls the most unsanitary region of Southeast Asia [Kong et al., 2015, 570].

The gossip about “monstrous pandemics” is well-correlated with the dates of the most serious recent economic crises (table 2).

**Table 2 – The relationship of major economic crises and most dangerous Hong Kong virus pandemics**

Economic crisis	Date	Pandemic	Date and the place of origin
The strong and acute fall of financial markets of Singapore, Hong Kong, Shanghai, Tokyo. Devaluation of Thai baht, credit crisis in Thailand. Unemployment burst in Thailand, Indonesia, South Korea. Revolution in Indonesia	1997	“Bird” influenza H5N1 and its subtypes	1998, Hong Kong
Financial crisis in Europe. Economic crisis in several Latin American countries. Blocking the banking actives and following riots in Argentina. Financial markets collapses in Mexico and Panama. Fund crisis in USA. Devaluation of S&P500 index twice.	2000-2002	“Atypical pneumonia” SARS	2003, Hong Kong
Global economic and financial crisis. Mortgage crisis. Global rise of unemployment. Industrial orders plunge. Cut of investment activity. Banking collapse. Devaluation of Icelandic krona. Full devastation of Icelandic economy.	2008-2010	«Swine» influenza H1N1 and its subtypes	2009, Mexico with the following relocation of pandemic centre to Hong Kong

Are our eyes deceiving us or is there any mystical connection here?

The Asian economic crisis of 1997 began three hours after the transfer of Hong Kong to the People’s Republic of China. Hong Kong stock index Hang Seng has lost a third of its value for three days. Why? On most financial websites and TV channels, we find the following explanations. The richest institutional investors, primarily from the United States, investing in the economy of Hong Kong, were worried... These worries were connected with the possible government of the Communists expropriation of the valuables after the accession of Hong Kong to the PRC [Lee et al., 2002, 185]!

The outflow of investments was massive as if it were a pre-planned step. Shares of Hong Kong companies sank into the abyss and pulled the stock market index behind them. Then, immediately after by the bankruptcy of the state in Thailand, everything turned rogue.

When analyzing this situation in a consistent manner, one has to assume that either professional investors who invested billions of dollars in the economies of Southeast Asian countries, those financial whales and sharks, are in fact newborn babies, or this asset collapse was pre-designed and tied by these investors to the date of the end of the British lease of Hong Kong. Could not these investors, if they were really concerned about the arrival of the Communist regime in Hong Kong with a market economy, gradually re-allocate their assets during the thirteen years since the signing of the Sino-British treaty about the transfer of Hong Kong to the People's Republic of China, and not pull them out of the market in a terrible panic? It seems that the top managers of companies with billion-dollar capitalizations wanted to make several tens of billions more on the relations between the PRC and Hong Kong. The market has the rule: if it is slightly destabilized and pushed down, then everything goes according to the well-known market saying: "when the market falls, then sell, the more you sell, the more it falls." So, the actions of USA and EU institutional investors in 1997 seem to fit well into the following pattern:

- 1) to push the Asian stock and index markets down together and obtain maximum speculative profits from this action. The total expected profit from the fall of one Hong Kong stock index Hang Seng was at least \$ 35 billion. Add here about \$ 15 billion in potential profits from the fall of the Shanghai Composite index and \$ 8 billion from the wreck of the Japanese Nikkei 225 index;
- 2) to ensure for this "deal of the century" the inflow of liquid foreign currency due to bankruptcies and crises of debt obligations of the states of the Asian region; to receive additional funding at the expense of a gain from decrease of the price of the state bonds of these countries;
- 3) to destabilize the Chinese economy as much as possible, which at that time, with its unprecedented growth already aroused serious fears for American economic and financial transnational corporate giants; to cause destabilization of the Chinese yuan in order to undermine the Chinese-backed policy of encouraging Chinese exports.

This really brilliant plan of the century many financial engineers have been possibly working at for many years, was not destined to be realized in exactly the way it was designed. At that time, the investors did not take one thing into account, the incredible level of globalization of the world economy, which today can decrease or even nullify any attempts of regional financial loosening. On withdrawing funds from Southeast Asia, the investors soon discovered that all the major global financial markets were failing after their Asian counterparts. So, the people who did not sell in that situation, have literally nothing to buy in the financial world, since all the indices went steadily down, and the calculation for the redistribution of funds was not justified. Many financial sharks, preparing to swallow huge profits, faced a situation of complete ruin or loss of most of their assets invested in other markets that seemed to them stable [Rioni, 2002, 162]. I have the persistent feeling that rumors and gossip about the first "pandemic", so called "avian", or "bird" flu, were probably designed by a real, though not known to the general public, financial genius.

Let us look at Table 2: the dates of major financial crises of the last two decades well correspond to the dates of Hong Kong pandemics.

The economy of Hong Kong is strong enough in the financial sector which makes it vulnerable to be easily manipulated from the outside, and not at all in the energy resources excavation [Snow, 2003, 387]. This circumstance will create serious difficulties for Hong Kong in the future. Hong Kong is

located physically far from Russia, from where it would be possible to make a pipeline, and from Singapore as well, where soon it will become too expensive to transport crude oil by tankers.

In the situation of the imminent energy crisis, the destiny of Hong Kong will not be clear and cloudless. Now, as long as the world crude oil prices are kept low, Hong Kong is benefiting from oil purchases and transportation from Singapore, by its own tankers where the offshore oil is flowing from the South China Sea and the Middle East. However, sooner or later the prices will rise to the level of 2012 or even higher, when the depletion of oil resources will begin to affect them. In the situation of the energy crisis and the possible political confrontation between Hong Kong and China, the PRC will undoubtedly win because of the planned pipe supply of oil from our country in the future and the inability of Hong Kong to independently purchase energy resources at an affordable price.

### Conclusion

Then a moment of truth will come for Hong Kong: in 2047, the Hong Kongese will either openly challenge China by asking for foreign, chiefly US support, or recognize themselves as the Chinese and become a part of the Chinese province of Guangdong.

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## Сложные системы глобализации и новые риски государственного управления: Гонконг как объект реализации запланированных кризисов

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**Аннотация**

В этой статье экономика Гонконга анализируется как объект запланированных кризисов. Показано, что слабость Гонконга в горнодобывающих и нефтяных буровых отраслях перед лицом предстоящего мирового энергетического кризиса вместе с его сложной географической ситуацией может привести к политической и экономической нестабильности не только для этого региона, но и для всего региона Южного Китая. В качестве примеров такой нестабильности приводится «Революция зонтиков» 2014-2017 годов. Обсуждаются причины, по которым Гонконг стал китайской территорией. Охарактеризовано влияние событий на площади Тяньаньмэнь на политическую и экономическую ситуацию в Гонконге. Показана очень тесная связь между крупными мировыми экономическими кризисами (1997, 2002 и 2008 гг.) последних двух десятилетий и пандемиями, возникшими в Гонконге. Рассматриваются эпидемии: изучаются «птичий» грипп H5N1 (1997), «свиной грипп H1N1 (2008) и атипичная пневмония SARS (2003) с точки зрения их связи с экономическими кризисами. Судьба Гонконга решится 2047 году, когда гонконгцам придется либо открыто бросить вызов Китаю, попросив иностранной поддержки, главным образом, у США, либо признать себя китайцами и стать частью китайской провинции.

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**Ключевые слова**

Гонконг, экономический кризис, глобальный экономический кризис, запланированные кризисы, эпидемия, пандемия, атипичная пневмония, птичий грипп, свиной грипп, Китай.

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