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Speaking for Hong Kong

By The Rt. Hon. Christopher Patten



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Speaking for Hong Kong

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Hong Kong is very fortunate to have so many friends and well-wishers in the United States. Over the next 14 months and beyond, Hong Kong is going to need its friends in the United States and elsewhere. Hong Kong needs the understanding and the support of the United States as it progresses through the most testing period of its history, the final months before July 1, 1997, and the transfer of sovereignty to the People's Republic of China. I have come to Washington this week to talk to our friends about an issue which is crucial to Hong Kong's ongoing economic and social success. As you all know, I have come to Washington to put Hong Kong's case—let me repeat that—Hong Kong's case for the renewal of China's most-favored-nation trading status.

I want to make this point absolutely clear right at the start. I have not traveled to Washington to speak on behalf of the People's Republic of China. It is not for me to put China's case for the renewal of MFN status. Nor is it for me to defend China's record on human rights, on arms proliferation, or its trade practices. These are matters which Chinese officials must address, not the Governor of Hong Kong.

I am not saying that Hong Kong has no view on these issues. On the contrary, Hong Kong has very strong opinions about human rights and about free and fair trade. Our record as a pluralist society based on the rule of law and our record as probably the most open economy in the world tells you all you need to know about where we stand on these issues. My task today and during the rest of my visit to the United States is to speak for Hong Kong, to put, as I have said, Hong Kong's case for MFN renewal, and I shall do so with all the force that I can command.

I shall be putting two arguments to everyone I meet. The first is an argument for the preservation of a fundamental trade principle. The second is an argument for the preservation of jobs and livelihoods in Hong Kong. Let me start with principles.

Round about the turn of the last century, the Patten family, my forbears, decided it had a principled position on the pressing issue of poverty. They did not like it, so they left Ireland and set off for Manchester. Now Manchester, during the last century, was the epicenter of a free trade earthquake which shook protectionism everywhere. Manchester was so committed, some might say obsessed, with free trade as a political issue that it named its principal place of public assembly the Free Trade Hall. This is the only example that I know where a city named one of its public buildings for a proposition from economic theory. That is, of course, unless I missed the opening of the Milton Friedman "Tight Money" concert hall in Chicago recently.

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Manchester won the free trade argument, and, as a result, the first great free trade revolution occurred after 1846 under British leadership. During the following 30 years, international trade increased by more than 300 percent. History repeated itself and the second great revolution in free trade occurred exactly a century later. This revolution took place under American leadership and started in 1946. Again, the value of international trade increased by more than 300 percent in the following 30 years. It was the United States which made this 20th century expansion of trade and prosperity possible. The United States provided the world with unstinting aid directly and through almost every multilateral organization. The United States also provided resources and incentives to emerging economies in Asia and elsewhere and kept its huge market open to the export products of these economies. At the same time, American business invested enormous amounts of capital in the reconstruction of Europe and Japan and in developing economics everywhere, but particularly in Asia.

The economic, social, and political consequences of this American free trade leadership have been profound. You need look no further than Hong Kong to understand what it has meant.

Hong Kong has enjoyed 35 years of unbroken economic growth. During this time, our per capita GDP has increased by 530 percent so that we are now on a par with Canada and much of Western Europe.

Hong Kong has put its growing prosperity to good use. We provide tertiary education places for 24 percent of each generation of students—up from about 3 percent 10 years ago. Our health care standards are now fast approaching the standards of Western Europe and North America—and some of our health indicators are actually better. We have invested in our people and invested heavily in our infrastructure.

Of course, hard work and a high savings ratio have been important. But it was free trade—access to the United States market in the post-war years—which gave Hong Kong, and many of our neighbors in Asia, their big break. Without the liberal trading environment created under the GATT and now continuing under the World Trade Organization, there would have been no German, Japanese or, more recently, Southeast Asian economic miracles.

What has been true of the past 50 years will, I think, be true of the next 50 years. American leadership will be as vital in maintaining the momentum of free trade during the first half of the 21st century as it has been during the second half of the 20th century. And a crucial test of this leadership is the one which most concerns Hong Kong. The issue can be simply stated: Can the United States and China establish and maintain a normal trading relationship? I say normal trading relationship because, of course, MFN status is the international norm. The alternative is an abnormal trading relationship between the United States and China, and that, it seems, would be in no one's interests, certainly not Hong Kong's.

Let me make Hong Kong's position absolutely clear. We are not suggesting that the United States, or any other country which shares your and our values, should soft-pedal on the other major issues in the relationship with China. Human rights are at least as important as trade relations. Nor can there be any higher priority for all of us than controlling the spread of weapons of mass destruction. Nor can there be any doubt that trade practices must be fair or that intellectual property rights must be protected.

But I believe that MFN should be used as a key to achieve progress on all of these issues, not as a weapon. MFN status should be allowed its opportunity to facilitate progress on all of these issues. By contrast, I believe, withdrawal of MFN status would hinder, rather than promote, such progress. The policy of engagement adopted by the United States seems to me, and seems to the community for which I speak, to be the only policy which offers the possibility of making progress on the full range of issues in the U.S.-China relationship.

I said earlier that I wanted to preserve a principle and that I wanted to preserve Hong Kong jobs. This second argument for renewing China's MFN status is, to put it bluntly, a matter of special pleading. Hong Kong is now so closely integrated with the Chinese economy that anything which damages the relationship between the United States and China, our two largest trading partners, is certain to injure us. Specifically, if MFN is not renewed, Hong Kong stands to lose about 90,000 jobs and up to half of our forecast annual growth in GDP. I recognize that Hong Kong's economy is flexible and that we would recover from such a blow in time. But the blow would fall at a particularly difficult time for Hong Kong. It would come just as we are about to start the final year of the transition to Chinese sovereignty, at a time when Hong Kong is particularly vulnerable to shocks to confidence in its future and we can least afford a setback to our economic fortunes.

There might be people here today who wish Hong Kong well on MFN, people who are concerned to give Hong Kong the best possible chance of making a success of its future as a Special Administrative Region of China, people who think that putting conditions on the renewal of China's MFN would in some way help Hong Kong to achieve this. I want to say to you in the clearest possible terms: Thanks, but no thanks. I am not aware of any community leader in Hong Kong who advocates anything other than renewal of China's MFN without conditions.

The message I bring from Hong Kong on MFN is this: If you want to help Hong Kong, please listen to what we are saying on this crucial issue and saying unanimously. To any of our friends and supporters in Washington or elsewhere who are tempted by the idea of MFN conditions, I say to you on behalf of the whole community in Hong Kong that you will not help us by damaging our economy and damaging confidence in our future. The best way to help us is by renewing MFN and by continuing the policy of engagement towards China.

I have not pointed and will not be pointing to the economic consequences for the United States of any deterioration in the trade relationship with China as a result of not renewing MFN or of attaching conditions. This is a matter for Americans, not for the Governor of Hong Kong. I will make only one tangential observation and leave it at that. I am no economist, and I do not claim to be an expert on the theory of comparative advantage and free trade. But I hope that I have got the basics right, perhaps because my family absorbed some of Manchester's free trade zeal, or perhaps just because I read Adam Smith. And the basics are that free trade is beneficial to those who practice it regardless of what others do. If I may paraphrase a 19th century French economist, to argue that the United States should be protectionist because other countries do not practice free trade is like saying that you should block up your harbors because other countries have rocky coasts.

Thomas Jefferson once said that no country was ever ruined by trade. He was right, but quite a few countries have been damaged by protectionism. The essential point I want to leave you with today, ladies and gentlemen, is that Hong Kong has lived and prospered by free trade. Please do not do anything to jeopardize Hong Kong's trade, Hong Kong's prosperity, or Hong Kong's future.