

Southeast Asia: More Interest in China but Less in Hong Kong

By Barry Wain

Hong Kong and Southeast Asia have never had a deep interest in each other's affairs. Hong Kong has been a useful trading partner for many Southeast Asian countries, and has invested solidly in Singapore while using less-developed neighbors such as Cambodia, Myanmar and Indonesia as low-cost production platforms. But, lacking common experiences, including Southeast Asia's wrenching break from colonialism, the two areas have shared little more than a concern for an influx of Vietnamese refugees and an outbreak of Severe Acute Respiratory Syndrome, or SARS, over the past few decades.

The return of Hong Kong to China in 1997 was exceptional. It caught the attention of Southeast Asian governments, as well as business people and political analysts, who judged that a bungled handover, however unlikely, had the potential to disrupt East Asia's surging economic development. They looked for confirmation that Hong Kong under Chinese sovereignty would continue to function as a successful financial, information and services center, and as an active investor in Southeast Asia and mainland China. In brief, they acknowledged that a dynamic Hong Kong was as important to the rest of the region as it was to China.

Now that Hong Kong is comfortably and securely part of China as a Special Administrative Region, Southeast Asia seems to be exhibiting its customary disinterest in the territory again. Yet it would be a mistake to think that nothing has changed. As it looks northward, Southeast Asia today sees a whole new political and economic landscape, with vastly improved prospects for growth and stability, in which Hong Kong no longer has the same allure.

At the center of it all is booming China, which has grown faster than the most optimistic observers expected, posing formidable competition for Southeast Asia in terms of manufactured goods and the attraction of foreign direct investment, but also offering greatly expanded market opportunities. Hong Kong, battered by the 1997-98 Asian financial crisis and suffering from poor economic management, performed disappointingly until two years ago. But lifted by calculated Chinese economic intervention - everything from the spending of mainland tourists prepared to pay top dollar for genuine, branded products to the business generated by Chinese state-owned enterprises listing locally -- Hong Kong is abuzz again.

Southeast Asian countries have also been courted by China, eager to consolidate political relations and explore commercial openings. In addition to forging closer ties with individual countries, Beijing has signed a free-trade agreement with the 10-member Association of

Southeast Asian Nations, and proposed numerous other cooperative endeavors with ASEAN. Feeling neglected and somewhat miffed by the U.S.'s preoccupation with Iraq and its heavy-handed approach to the war on terrorism, Southeast Asian governments have responded warmly to China's overtures.

The combination of China's remarkable prosperity and Beijing's initiatives has altered the perspective of Southeast Asian countries and companies. Southeast Asia no longer sees Hong Kong as the only gateway to the mainland. It is "paying much more attention to Beijing and Shanghai, and elsewhere in China, than the Hong Kong it already knows," says Wang Gungwu, director of the East Asian Institute in Singapore. Adds Rodolfo Severino, former secretary general of ASEAN, "If one can go directly to the mainland's economic powerhouses, why deal with Hong Kong?"

It is not that Southeast Asia has written off Hong Kong or no longer sees a role for it in the wider region. It is more a case of taking Hong Kong for granted now that it has reverted to the motherland without serious mishap, while being mesmerized by coastal mainland China, ever opening, ever rising. As Mr. Severino says, Hong Kong remains a financial services hub, "but it has always served as such for many Southeast Asians, so there is little that is new here."

Although Southeast Asia has hardly paused to give thanks that Hong Kong's transition has gone smoothly, the realization of the one country, two systems experiment was actually important to Southeast Asia. Governments and businesses alike looked for Hong Kong to retain the core elements considered essential to its survival: political stability, the maintenance of the legal system and observance of the rule of law. It is hard to find anyone in Southeast Asia who doesn't think those bases have been covered.

While Southeast Asian newspapers and TV channels carry extensive reports of political disputes in Hong Kong, most of it is dismissed as irrelevant. Debates about the pace of democratization are viewed as not much more than entertainment to keep the chattering classes occupied. "Would a popularly elected Legislative Council and chief executive make that much difference to Hong Kong policies or directions?" says one Southeast Asian government official familiar with the territory. "I don't think so. Hong Kong's options are limited." More to the point, he says, is that even pro-democracy groups in Hong Kong now accept that its future rests on intimate ties with China, a reversal from the early post-handover days when they treated "China-lovers" as traitors.

Massive anti-government demonstrations in the streets of Hong Kong over the past few years received extensive coverage in Southeast Asia, but they weren't interpreted as a sign of instability. Rather, the consensus among those who cared seems to be that they were provoked, at least in part, by the inept performance of the former chief executive, Tung Chee Hwa. They believe the way the Hong Kong political scene has quieted since Donald Tsang took over as chief executive in March last year confirms their judgment.

Not even the arrest in China of Ching Cheong, a journalist working for Singapore's Straits Times, has raised much angst about Hong Kong as an integral part of China. Mr. Ching, 56, a mainland-born Hong Kong resident, was detained in April last year and later charged with spying, for allegedly buying classified state secrets and selling them to Taiwan intelligence.

While the Singapore authorities have registered interest in his plight, the feeling seems to be that his predicament, while regrettable, doesn't seem to presage any move against Hong Kong, or the Hong Kong-based press generally.

China's handling of Hong Kong in the past eight or nine years has also been a source of political comfort for Southeast Asian governments looking for evidence of Beijing's credibility. Though rarely articulated, the issue loomed large before 1997. Indonesian security specialist Jusuf Wanandi spelled it out candidly in a lecture at Hong Kong University in 1994. Said Mr. Wanandi, "The bottom line is how trustworthy is China going to be in ...maintaining Hong Kong as a separate, viable and dynamic economic entity in the region." He said Asean governments were reluctant to express any doubts publicly because they could be accused of ignoring one of their own diplomatic principles and intervening in the domestic affairs of another country. But it nevertheless was at the back of their minds, he said, registering more strongly on some than on others.

The test, of course, was to be in the way China implemented the agreement with Britain, which took the form of a treaty lodged with the United Nations, to allow Hong Kong to retain its capitalist lifestyle for 50 years. As far as Southeast Asia is concerned, China so far has kept its word and pretty much kept its hands off Hong Kong. Although Beijing has made sections of the Hong Kong community unhappy with the limits it has set on the pace of democratization, Southeast Asians are used to democracy taking second place to stability and development. Besides, they note that China has employed a relatively light touch while advancing its long-term interests. "Beijing policy in Hong Kong indicates fidelity to commitments, and pragmatism and flexibility," says Mr. Severino, the former ASEAN official. "That is reassuring."

That reassurance comes as no surprise and merely serves to reinforce Southeast Asia's changing perception of China. Before 1997, Asean was looking for clues as to how China might treat its small neighbors as it grew into a regional and possible global power. The more fearful members were mindful that Beijing had backed underground communist parties trying to overthrow some Southeast Asian governments until the 1970s, and that China had been the principal supporter of the murderous Pol Pot regime that terrorized Cambodia from 1975-78. The most immediate concern, however, was in the South China Sea, where China was aggressively pursuing its expansive, though undefined, territorial and sovereignty claims, which conflict with those of four Asean countries.

Well before Beijing could demonstrate its sincerity in Hong Kong, China's approaches to Southeast Asia began to bear fruit. For a start, Beijing in 2002 signed an agreement with Asean covering conduct in the militarized South China Sea designed to reduce the chances of open clashes. Without withdrawing from any of the outposts they occupy, the Chinese halted their aggressive probing in the area and persuaded Asean not to let their differences on this one issue interfere with their broader relationship. As tension in the South China Sea eased and business opportunities opened, Southeast Asia jettisoned some of its suspicion of China.

True, Beijing remained at loggerheads with Taiwan and reserved the right to use force to prevent what it regards as a renegade province from becoming independent. But Southeast Asian governments mostly blame Taiwan President Chen Shui-bian, not China's leaders, for

strained cross-strait relations. They believe that Mr. Chen's pro-independence Democratic Progressive Party, which came to power in 2000 by ending five decades of Kuomintang rule, continues to provoke and unsettle Beijing through a series of actions meant to weaken links with the mainland.

Southeast Asia has found China an increasingly willing, even enthusiastic, participant in post-Cold War regional organizations. China plays its part in the Asia Pacific Economic Cooperation forum and its security counterpart, the Asean Regional Forum, both driven largely by Asean. Indeed, China has indicated it might not have signed up for APEC and ARF if they weren't effectively controlled by Asean. Beijing has also joined Asean-initiated deeper exercises in regionalism, notably the Asean Plus Three arrangement that links the 10 Southeast Asian countries with China, South Korea and Japan, and the East Asia Summit process that brings those 13 countries together with India, Australia and New Zealand.

No surprise then that Asean has come to accept that China's priority is economic development, just as Beijing says, and to see that the Chinese have more serious threats to contend with on their eastern and northern flanks than unsettled issues in Southeast Asia. Apart from the intractable problem of Taiwan, China must deal with an uncertain Japan, and an unpredictable North Korea playing a high-stakes game of nuclear poker. "China really needs a peaceful and prosperous Southeast Asia to its south, and is grateful that Southeast Asia is prepared to be friendly," says the East Asian Institute's Prof. Wang.

Hong Kong's return to China hasn't brought the Hong Kong and Southeast Asian publics closer, as may have been expected. To retain its competitive edge and sustain its economic dynamism, Hong Kong could have chosen to strengthen linkages with Southeast Asia while embracing the mainland. It might have made sense for Hong Kong to establish contacts with regional research centers and organizations, to tap into both private and public sector outfits, in an effort to stay attuned to the region. But struck by the regional financial crisis, which began the day after the handover, Thailand, Malaysia, Indonesia and other possible investment sites in Southeast Asia simply didn't look attractive. Hong Kong entrepreneurs followed the money to the mainland, and for the most part that proved to be the most profitable location.

Newspapers in Singapore and Hong Kong still carry stories about the two places competing on a number of fronts, especially for the honor of being the world's largest container port. Even if it were once true, that is history. Inevitably, both will be overtaken by Shanghai, and if they can maintain a respectable level of activity while searching for new shipping business worldwide, they will be adjusting well to the new China-dominant environment. Except for a few fields, notably financial services, Singapore and Hong Kong work two different areas.

A Southeast Asian diplomat, who was once posted to Hong Kong, notes that Southeast Asia has never really paid much attention to Hong Kong. "To be fair," he says, "Asean could as well be on the dark side of the moon for Hong Kong people." But the two areas now have something in common, even if they scarcely realize it. Like Hong Kong, Southeast Asia looks to the future with hope by hitching itself to a China that is growing at a phenomenal rate. ■

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