Post-1997 Hong Kong: the Social and Environmental Impact

By Bernard Chan

Most commentary about the Hong Kong Special Administrative region marking its 10th anniversary either was about the political arena, notably the issue of constitutional reform, or the economy, especially the process of integration with the fast-growing mainland. But this emphasis tends to neglect an equally important and related area: social and environmental issues. What has the post-1997 era meant for the people and families of Hong Kong, and for Hong Kong as a place to live?

As with politics and the economy, pre-1997 expectations have not matched post-1997 realities. Perhaps the best symbol of this is the border between Hong Kong and the mainland. In the 1980s and '90s, the barbed wire fences, lookout posts and other security facilities were seen as vital defenses against illegal immigration and in general for keeping Hong Kong secure and separate. Today, the border sometimes seems more of a hindrance than a help. One of its four crossing points has 300,000 people going through every day – the busiest in the world. Many are commuters, including a growing number of Hong Kong people with homes or businesses on either side. Hundreds of Hong Kong children living in Shenzhen cross every day for school in the SAR. Hundreds more attend Hong Kong-style private schools on the mainland side. Officials from both sides frequently meet to explore ways to relax formalities and increase checkpoint capacity so people from both sides can travel across the line more freely for work, leisure or study. Hong Kong has its own customs and immigration systems, so the border has to be there. But as a barrier it creates far more problems than people expected 10 or 15 years ago, when the idea of Hong Kong people living over the border or large numbers of mainlanders coming across as tourists was unthinkable.

Behind all this of course is the unexpected, rapid development of China since the early 1990s and its impact on Hong Kong. To put it in perspective, let's remind ourselves of a few numbers. From 1995 to 2005, China's gross national product grew at average annual rate of 9%. Imports grew an average of 16% per year, and exports expanded by an average 19% per annum. Much of this massive increase took place in the Pearl River Delta area near Hong Kong. If you had told anyone in Hong Kong in the mid-1990s that the average (legal, permanent) resident of Shenzhen city, just across the border, would be earning more than US$12,000 a year (at PPP) by 2005, you wouldn't have been believed. Twenty years ago, Hong Kong people flashed their cash around when they went over the border, and we were afraid of mainlanders flooding into our city. During that time the number of mainland visitors per year has risen from two million to 13.6 million. Nowadays, we have to swallow our pride a bit and chase the mainland tourist dollars – or at least yuan. The rise of the yuan means that Shenzhen merchants no longer welcome Hong Kong dollars, though their Hong Kong counterparts now make a small exchange gain when accepting yuan. Fortunately, many ATMs in Hong Kong dispense both currencies. Again, no-one would have imagined these things 15 years ago.

Hong Kong has hugely benefited from this explosive growth. Our hotel and retail sectors benefit from the tourism and local investors, who own much of the Pearl River Delta manufacturing base, have profited enormously from the mainland export boom, as have our trade, logistics, shipping, finance and other service providers. But there have been losers too. Hong Kong's manufacturing base has almost entirely moved into China during the past 25 years. More recently, white-collar jobs, such as data entry and accounting, also have started to move across the border. This has raised fears in Hong Kong that more and more of our workforce will find it hard to compete in future. We are losing less skilled jobs to the Mainland, and we are seeing a growing gap between rich and poor.

Other developed economies are noticing this, but in Hong Kong the problem is accentuated. The close proximity of cheap mainland labor is one obvious reason, making it more convenient and cost-effective to transfer a wider range of economic activities. Human migration patterns are another: a backlog of mainlanders waiting to immigrate to Hong Kong for family reunion purposes started arriving after the handover. When they originally applied to come, perhaps 10 years earlier, Hong Kong seemed to be the land of milk and honey. By the time they arrived, demand for less-skilled workers – which most of them were – was in decline. In the 10 years since Hong Kong's return to Chinese sovereignty, official statistics show that the number of 'working poor' – defined as those who earn less than half the median income – has nearly doubled.

Compared with the poor in cities like New York or London, Hong Kong's underclass has fewer options for relocation to a cheaper place elsewhere in their country. It is possible for the city's elderly to retire to the neighboring province of Guangdong and still receive their Hong Kong welfare allowances (which goes much further on the mainland). But subsidized health care and other services are not portable, so many have incentives to stay in Hong Kong despite the high costs. Nine of ten of the retired population in Hong Kong live on less than HK$5,000 a month (though some also get help from children). People of working age who have moved into the city are also trapped. Few would want to sacrifice the subsidized schooling and health care, plus welfare payments that at least in nominal terms are higher than many mainland wages. Even if they wanted to return, they will have lost their residency status in their former mainland hometowns.

Families below the unofficial poverty line have increased from 10% of the total 20 years ago to nearly 20% today, with a quarter of all teenagers coming from these households. Mainland immigrants were certainly not the only cause of this increase, but they were undoubtedly a contributing factor (the rise in unemployment in the early 2000s, for example, closely correlated with the numbers of adult migrants arriving). In some cases, these immigrants suffer difficulties due to language problems and sometimes outright discrimination from local people and employers. They also account for a disproportionate number of cases of domestic violence. In recent years, economic growth on both sides of the border has at least slightly improved prospects for such people in Hong Kong and reduced incentives to leave the mainland. But the fact is that Hong Kong now has an underclass and a serious wealth gap. Its Gini coefficient (which measures inequality of wealth or income distribution) of 0.533 in 2006 is comparable to Mexico's, though it falls to 0.475 if the effects taxes and social spending are considered. One of the city's biggest challenges is to address this situation without affecting its attractions as a low-tax, light-

regulation business environment. Calls for a minimum wage are growing louder, and few commentators or policymakers offer any serious alternatives.

Meanwhile, the increasing movement of Hong Kong people to mainland jobs has created cross-border social problems like family separation. A husband might live 100 miles north of Hong Kong to manage a Hong Kong-owned factory, and sees his wife and children only on weekends. This leads to infidelity, family disputes and so on. In addition, Hong Kong teenagers can cross the border for cheap alcohol and drugs. The number of Hong Kong people arrested in the mainland for drug possession is rising, while the number in Hong Kong is actually falling. Some of the drugs they abuse over the border are fakes, or have impurities, so can be even more dangerous than usual.

Another unexpected phenomenon is an influx of women from the mainland who visit Hong Kong to give birth, putting a serious strain on the city's hospitals. In the years just before the handover, a few hundred pregnant women entered Hong Kong illegally every year so their children would qualify for residency. This is now an organized and legal business, accounting for around a third of all 60,000 annual births in the city. The common perception is that the mothers are simply after local resident rights for their children, but the truth is more complex. Many of them pay high prices to enter Hong Kong's private hospitals simply because they want good quality care. Others do it to evade the one-child policy of mainland cities. To further complicate the issue, around 40% of these women are married to Hong Kong men.

People who before 1997 saw the border as a guarantee that Hong Kong could insulate itself from mainland influence need only look out the window to see how wrong they were. Hong Kong has profited hugely from the division of labor between itself and its mainland factories, but finds it harder to accept that a shared responsibility for the resulting pollution. Air pollution in particular has become a hot issue in Hong Kong, with most players assuming that someone else should pay the costs of cleaning up.

Integration between Hong Kong and the mainland has also increased the city's exposure to hazardous foods and, on two occasions, serious outbreaks of disease: avian flu and SARS. The list of food scares has been lengthy and covers green vegetables, fish, ducks, pork and canned and preserved produce. The actual impact on health from tainted food has been extremely limited, thanks to a highly sensitive and rigorous system of inspection and control. Hong Kong-based inspectors routinely visit mainland farms to check livestock. However, the scares attract attention worldwide and provide a clear example of the problems that come from integrating two regions with different standards.

This works in both directions, however. A senior official in Shenzhen recently complained that Hong Kong people were smuggling very expensive Kobe beef north across the border, where it fetches high prices from wealthy, status-conscious members of local elite. As he pointed out, it was unfair that the mainland and Hong Kong authorities had put so much work into toughening up controls on exports when Hong Kong people then risked mainlanders' health by bringing in unchecked food.

As these examples of social and environmental problems indicate, integration since 1997 has brought some unexpected results that require policymakers' attention. However, these

are side-effects of an overwhelmingly positive phenomenon: the economic boom resulting from synergies between Hong Kong and the rest of the Pearl River Delta. And Hong Kong as a whole and its people as individuals have gained many advantages. The mainland immigrants bring children, helping to offset the city's extremely low birthrate and aging population. The region north of Hong Kong offers better value housing and other goods and services: many families enjoy weekends in Shenzhen, perhaps staying in a second apartment, dining out and shopping for far less than they could at home. Shenzhen and other nearby towns also offer small Hong Kong entrepreneurs affordable locations for setting businesses (often retailing, aimed at fellow Hong Kong people). More and more Hong Kong students are considering mainland colleges for affordable education in a place where many of them may be planning careers. Those who study in Hong Kong will increasingly find mainland classmates as local universities attract more students from across the border. Closer ties between the mainland and Hong Kong also increase people's choices of partners, and cross-border marriages, once a last resort for poor single Hong Kong men, are now a growing trend among middle-class people of both sexes. What could be more appropriate 10 years after the 'union' between Hong Kong and the mainland?

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