

Mainland Immigrants Must Be Welcomed*

Y C Richard Wong
The University of Hong Kong

Part One: The Issues

The world's interest in Hong Kong in the months ahead will be focused on the political transition that will take place. As Hong Kong comes under the political microscope, every event and act will be scrutinized for clues as to whether the promise of "one country, two systems" will be honored and, indeed, survive the 50 years it has been guaranteed by the Joint Declaration and enshrined in the Basic Law. By any yardstick, 1997 will be a significant year for the future of both Hong Kong and China. However, it was the economic and social forces unleashed in 1979 in China's open door policy and Hong Kong's response to them that may ultimately determine our fate.

The momentous impact of China's opening to Hong Kong is highly visible. Within a span of 18 months between 1980 and 1981, some 400,000 individuals crossed the border into Hong Kong. The impact on labor market conditions was swift. Real wages failed to grow for several years, but Hong Kong's labor-intensive manufacturing industries received a new lease on life as competitiveness was restored with the injection of a new army of workers.

Nevertheless, the sudden influx quickly led to an agreement between Chinese and Hong Kong authorities to regulate and limit the flow to 75 individuals per day as a result of public concern over its consequences on labor markets, social-educational, housing, health, and infrastructure services. Although the number has been increased to 150 over time, illegal flows continue to be a permanent problem.

The fear of population inflows from the mainland continues to be a cause of anxiety to many local residents. However, there is a clear difference in the attitudes of capital and labor towards such inflows. The fact that everyone in Hong Kong must carry an official identity card at all times and police are empowered to check them in public is a constant reminder to all that political factors are not the only ones threatening civil liberties.

The opening of China began to have an even more perceptible impact on the economy as our manufacturing base migrated northwards across the border. At its peak, our manufacturing enterprises employed some 900,000 workers in Hong Kong. Today they reportedly employ as many as six million workers on the mainland, with less than 250,000 in Hong Kong.

* This article has two parts. Part One appeared in the South China Morning Post, May 19 1997 as part of the Dateline Hong Kong series under the title "Time to count the social cost of a divided people united". Part Two has been written for the Chinese University of Hong Kong, International Asian Studies Program, 20th Anniversary Reunion Seminar "Future of Hong Kong, SAR within China and the Asian Region".

These changes have important social dimensions that have had an enormous impact on the lives of individuals and families in Hong Kong. As many as 500,000 workers have had to seek new jobs in service industries as manufacturing jobs were lost in mid-life. Organized labor in Hong Kong has since found an enduring agenda in free market - hostility to labor inflows - an alien concept throughout the history of Hong Kong, where most inhabitants before the war were sojourners and those after the war are first or second-generation immigrants.

Today, hundreds of thousands of individuals in our workforce commute regularly across the border to work on the mainland and millions from Hong Kong enter China every year for short visits. As social and economic contacts continue to grow between the two, a rising number of marriages are now taking place between Hong Kong and mainland residents.

The presence of draconian laws to limit the flow of individuals from China into Hong Kong has created a heart-wrenching phenomenon. An increasing number of families now have members who are forced to live apart for years, separated by a border. The sight of children and mothers torn from their loved ones and forcibly repatriated back to the mainland is a familiar one on television. They, too, remind us that civil liberties are not limited to politics.

The human cost is immense today. Tomorrow it will be even more staggering as numbers and the prolonged agony of those waiting to be united keeps growing. It is inconceivable how people living in two economies and societies so close to each other with such intense contact will fail to develop such ties and relations.

Divided families lead eventually to a society of alienated individuals, fostering social divisiveness. The day of reckoning for Hong Kong will arrive when the social pressures of a distorted family life, a lonely and isolated childhood, maladjusted youth and lasting memories of despair, humiliation, anxiety and unfulfilled promises finally erupt in full force. Hong Kong will pay dearly for its current policies to regulate and limit population inflows.

I cannot imagine how any amount of social welfare spending can heal the scars from these self-inflicted wounds. And if society erupts, the civil liberties and economic freedoms that are so dear to Hong Kong will fall by the wayside to be eclipsed by a culture of authoritarianism, paternalism, and social welfarism.

If these views appear to be alarmist, it is useful to remind ourselves that not too long ago we witnessed a sort of pre-staging that took the form of the “great society” undertakings of former governor, now Lord, Murray MacLehose, who took charge of Hong Kong in 1971 in the wake of the civil disturbances of 1967-68. Even if society does not erupt dramatically with deft management, the drift towards the “great society” will be difficult to resist.

In contrast to these worrying social forces that have been released by the opening of China, the economic impact on Hong Kong is far more positive. The enormous complementarities between the mainland and Hong Kong have created numerous opportunities for economic cooperation to the benefit of both Hong Kong and the

mainland. These developments are so well known to the people of Hong Kong that any further elaboration here would add little value.

Nevertheless, the huge economic strides made by Hong Kong have a price. Inflation is now a permanent feature of an economy that is always operating at full capacity, even during cyclical downturns. The capacity constraint is to a large measure a result of the policy to regulate and limit the inflow of population and labor from the mainland.

The damaging effects of inflation are most serious in its impact on savings. Families in Hong Kong have little choice but to buy property as a means to protect their savings, thereby further fueling property prices in a market already suffering from severe shortages. Property ownership today divides society into the “haves” and “have-nots”; and the gulf that separates them appears to be ever widening. This too is socially divisive.

Fortunately for Hong Kong, there is a choice that could take us a long way towards alleviating these social pressures. I have long supported a plan to sell the existing stock of public housing to sitting tenants as a solution to many problems. The sales must take place at prices well below market levels and tenants must be allowed to have the right to transfer the unit on the free market and to keep any capital gains that arise from the sale.

Today, this proposal is even more relevant and urgent. With more than a third of our households living in public housing, privatization would provide them with a genuine asset that could be an effective hedge against inflation. The asset could be used as collateral for financing business activities, as an annuity to provide for old age retirement or as a bequest to loved ones. At one stroke and at almost no cost to society, the inseparable gulf between the “haves” and “have-nots” would be largely eliminated.

As Hong Kong becomes a predominantly propertied society, the hostility of local residents toward immigrants will be greatly reduced. The arrival of immigrants will be perceived to enhance property and capital values, and not to depress wages and take away jobs.

I believe our Government should announce a clear, credible policy to allow spouses and children to arrive in Hong Kong after July 1 anytime they wish. It need not trigger an immediate rush into Hong Kong. Most parents are, after all, responsible individuals who will not send for their dependents until arrangements for settling them in Hong Kong have been made.

In the longer run, such a policy would also enhance the attractiveness of local residents as marriage partners for mainlanders, while Hong Kong would be able to attract better quality immigrants through marriage. Indeed Hong Kong has much to gain from a long-term policy to re-unite separated families.

If these proposals sound incredible, then it is only because too many of us are overwhelmed by the idea our public housing, public education, public health care and

public welfare services will be stretched to their limits in the short run. It is useful to refresh our memories to the time 400,000 individuals crossed the border into Hong Kong over an 18-month period in 1980-81. The economy and society adapted very well to that sudden shock. Similar episodes have existed throughout the post-war period in Hong Kong's history and we have always handled it well - even when the resources that were at our disposal appeared meager by current standards.

Perhaps the real problem lies with the way in which we view our public housing, public education, public health care and public welfare services. It is a mistake to believe that individual problems are always and everywhere a public responsibility. This is a false premise that Hong Kong must shake off if we are not to be overwhelmed by the challenges of managing population and labor inflow. For otherwise, we will be permanently condemned to holding the floodgates to a raging torrent.

Our puny efforts to devise interim solutions to control the inflow will eventually corrode the foundations of our free economy and open society. In the final analysis, they will also be futile, inhumane and self-defeating. We should, on the contrary, make provision for Hong Kong to develop as a metropolis with a population that is much larger than is currently contemplated in official forecasts. And as we privatize our public housing units to help our residents become a propertied class, we shall soon be gladly bidding welcome to all those who have a legitimate and humanitarian claim to be here.

Part Two: A Practical Proposal

The current Hong Kong population projection of 8.3 million people by the year 2010 made by the Census and Statistics Department uses the assumption that the inflow of immigrants from China will be maintained at 150 persons per day.

If the quota remains unchanged then a growing proportion of family members will have to live across the border as more cross border marriages take place between residents from the mainland and Hong Kong.

Consider now two sets of policies:

First, a policy that limits the inflow to 150 per day and repatriate children, who have a claim to be a resident of Hong Kong under the Basic Law, should they enter the territory by illegal means.

Second, an alternative policy that allows all *bona fide*¹ children from the mainland that are born to Hong Kong permanent residents to enter the territory immediately after birth and to allow spouses to accompany the children.

Simple economic logic will forecast that in the long run Hong Kong will have an immigrant population with a larger stock of human capital under the second policy. It is not clear whether the long run population of Hong Kong will be larger or smaller under the second policy.

Under the first policy, spouses and children will have to stay in queue for many years before they can arrive in Hong Kong. The queue will get longer unless the quota 150 per day is relaxed. Even if the quota were to be periodically increased from time to time, it will only be because the backlog is huge.

The waiting time for a spouse from the mainland to arrive in Hong Kong is the major cost of marrying a Hong Kong resident. The cost is high now and will become even higher over time as the queue lengthens.

The quota system creates a self-selection mechanism whereby only individuals in the mainland who have a low opportunity cost of waiting time would be willing to marry Hong Kong residents. If the queue lengthens then only those with even lower opportunity costs would be willing to marry Hong Kong residents.

The quality of individuals that would marry Hong Kong residents will clearly be lower under the first policy and this has implications for the quality of immigrants Hong Kong will eventually admit from the mainland.

The public expenditure Hong Kong will have to spend on the children and spouses who eventually arrive in Hong Kong will be larger the longer they remain on the mainland.

¹ Modern DNA testing technology can establish the relationship between parents and children with almost absolute certainty.

If only children are allowed to come and not the spouses then the social cost will be even higher. A single parent is more likely to require public support, the children will be poorly brought up resulting in low rates of return to human capital investment, and may even cause larger public expenditure if they become a social problem or law and order case.

If the second policy were to be adopted then a very different outcome will emerge. Not only will the quality of individuals who would be willing to marry Hong Kong residents be enhanced significantly, but also that of their children.

The first policy permits a Hong Kong resident to adopt a low cost option for raising a family since the economic cost of keeping a family on the mainland is much lower than in Hong Kong. A Hong Kong resident can become married earlier, have more children sooner, and perhaps a large completed family size.

The second policy allows children to arrive in Hong Kong immediately and to be accompanied by their mainland parent, hence, as soon as the children are born the mainland members of the family can arrive in Hong Kong. The family will have to be raised in the high cost environment of Hong Kong unless the mainland members can be persuaded to remain across the border voluntarily.

The logic of the situation tells us that the eventual family sizes are likely to be smaller under the second policy regime. Although there may be marginally more cross border marriages.

A policy that allows children to arrive in Hong Kong immediately after birth is in accordance with the provisions of the Basic Law. In practical terms, allowing the mainland parent to accompany the children into Hong Kong is humanitarian, conducive to social stability, and makes good economic sense to the family. The fact that spouses can only arrive with children lowers probability that marriages of convenience will dominate cross-border marriages. It will also reduce the incidence of fraud and deception in cross-border marriages.

Uncertainty is reduced when the rights of children and spouses to arrive in Hong Kong are guaranteed to be immediate. Families can make plans accordingly. Their members will be able to adapt to the new environment better, both to the benefit of themselves and to Hong Kong as a whole.

It is no doubt true that many local residents are extremely apprehensive about the arrival of new immigrants. Perhaps the best way forward in this matter is to consider changing the current regulations to limit the provision of social welfare payments to only those who have taken up residence in Hong Kong for more than 3 years.