



# HONG KONG VS SINGAPORE



William H Overholt



- 
- 
- 

## THE KEY ISSUES

- DIRECT COSTS
- REGULATORY COSTS
- LIQUIDITY
- LIFESTYLES
- BACK YARDS: CHINA VS INDO-MAL
- DIVISION OF LABOR
- IMAGE

- 
- 
- 

# REGULATION

- FREE
- PERCEIVED AS UNRELIABLE (STOCKS, LIQUIDITY)
- UNIMPEDDED INFORMATION – MOSTLY
- OVERREGULATED (BUT IMPROVING)
- RELIABLE, STABLE
- IMPEDDED INFORMATION – IMPROVING

- 
- 
- 
- 
- 
- 
- 
- 
-

•  
•  
•

# DIVISION OF LABOR

- NORTH
- CHINA
- INFO SENSITIVE
- MINIMAL LAND REQUIREMENT
- SOUTH
- INDO-MALAY
- INFO INSENSITIVE
- SIGNIFICANT LAND REQUIREMENT

• • • • • • • • • •

•  
•  
•

# BACK YARDS

- CHINA
- HEALTHY
- FRIENDLY
- INDONESIA &
- MALAYSIA
- UNHEALTHY
- UNFRIENDLY

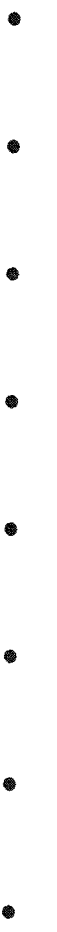
• • • • • • • • • •

•  
•  
•  
**PEOPLE FLOW**

- PAST HK BRAIN DRAIN WAS ALWAYS A FICTION (SUPPORTED BY SINGAPORE, MEDIA, MARTIN LEE)
- SPR HAS A BRAIN DRAIN PROBLEM
- NOBODY HAS CURRENT NUMBERS
- HK BENEFITS FROM A LARGE FLOW OUT OF TOKYO
- SPR REGIONAL HQ NUMBERS ARE INFLATED BY INCENTIVES

•  
•  
•  
EDUCATION/LIFE  
EXPERIENCE

- POOR LANGUAGE      • GOOD LANGUAGE  
(ENGLISH &                      (ENGLISH &  
CHINESE)                      CHINESE)
- ENTREPRENEURIAL      • BUREAUCRATIZED
- MULTICULTURAL      • MULTICULTURAL  
SUCCESS                      SUCCESS







•

# FINANCIAL COMPETITION II

## THE RISE OF BOND MARKETS

- COMPANIES BURNED BY RELIANCE ON BANK LOANS
- BANKING SYSTEMS WEAKENED
- RISE OF INSURANCE & PENSIONS
- KEY IN HK: PROPERTY FINANCING, CHINA

•  
•  
•

# LIFESTYLE

- EXCITING
- POLLUTED
- RUDE
- FREE
- BORING
- CLEAN
- POLITE
- CENSORED,  
WATCHED

• • • • • • • • • •

•  
•  
•  
: **IMAGE/MOMENTUM**

- DEFENSIVE                      • OFFENSIVE
- PROPPING OLD                • MOVING  
SYSTEM                          FORWARD
- AVOIDING ISSUES:          • PROACTIVE:  
ASSET PRICES                      OVERREGULATION
- BECOMING LESS              • BECOMING MORE  
MARKET                              MARKET  
ORIENTED                          ORIENTED
- PROPPING COSTS            • DRIVING COSTS  
UP                                      DOWN



•  
•  
•  
**HK AGENDA**

- **FIX HOUSING PROBLEM**
  - ECONOMIC, SOCIAL, POLITICAL
- **BUILD BOND MARKET**
  - INOCULATION, REGIONAL DOMINANCE
- **DEREGULATE SERVICES**
  - LEGAL, MEDICAL
- **BUILD ON STRENGTHS**
  - DON'T SUBSIDIZE PROPERTY,  
INDUSTRIAL WEAKNESSES



•  
•  
•

HONG KONG'S STRATEGIC  
POSITION IS SO STRONG  
THAT ONLY HONG KONG  
CAN BEAT HONG KONG

• • • • • • • • •

# HONG KONG 1999

*William H Overholt*

# POLITICS I

---

## ■ Freedoms Intact

- Press
- Speech
- Demonstrations

## ■ Rule of Law Intact

- Judges appointed same way
- Laws the same, but better
- Feisty, competent Court of Final Appeal

# Politics II

---

- Have followed Basic Law
- Have followed Joint Declaration
- Not a democracy
  - Elitist legislature
  - Highly constrained legislature
  - But very sensitive to public opinion
- Has most of the problems of democracy
  - interest group influence



# ECONOMY: STRUCTURE

---

- Resilient free market economy
  - except in housing
  - except in a lot of other things
    - banking, port, law, medicine
- Highly developed service economy
  - except in education