

*Hong Kong & Tangier: Two international and prosperous port cities, two absorptions into their respective motherlands: same destinies?*

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With the hand-over celebrations of 1st July 1997 being already part of history, Hong Kongers and the world at large alike wonder whether the rapid dismantling by the new law makers of laws passed towards the end of the colonial period heralds the beginning of the end of the "one country - two system". Is China keeping her promises and safeguarding Hong Kong's separate identity and autonomy or will it go further and accelerate the process of integration of Hong Kong into China leading to possible unforeseen negative consequences? Will this territorial incorporation work out as advertised? Will it be smooth, will it be rocky?

Pundits of this ever growing-group of Hong Kong and China experts seem to be remarkably homogenous in their predictions despite their heterogeneous backgrounds. The great majority of them foresees a manageable marriage (1,2), a small minority fears some transitional conflicts (3) but practically nobody volunteers to state the possibility of a straight forward failure either because a failure is not part of their assessment or because nobody wants to break the taboo and say it out loud fearing that stating the negative might somehow be taking risks with luck and destiny. On top of that, who wants to be accused of having made an unthinkable, the inappropriate, the taboo breaking prediction stating "China will fail in integrating Hong Kong peacefully, constructively and harmoniously?!"

It is time that this taboo is broken before it is too late and to acknowledge the age-old proverb which says that "the one who does not remember is bound to keep repeating the same mistakes". It is for instance a well-established fact that many joint ventures and merger & acquisitions in the private sector fail mostly because of incompatible differences of culture, be this societal or company culture. The same can be said about mergers at the level of territorial integration. Learning from similar integration involving distinctly different cultures might be useful for China, for Hong Kong and for the world at large. Too much is at stake, not the least 6 million human beings living in this outstandingly prosperous and dynamic city. But in order to make such a historical comparison useful, it would be wise to limit the comparison to similar cases, in this case to port cities, which have been integrated into their respective motherland such as Hamburg into Germany, Trieste into Italy or Tangier into Morocco.

The last case is the most promising comparison because it is the most recent case involving a similar tension like Hong Kong in that a prosperous, well-developed and internationally oriented port city has been integrated into a poor, underdeveloped and inward looking motherland. Knowing more about what happened to Tangier during its crucial three-year transition period could help Chinese decision makers identify policy options which should better be avoided in the interest of all parties concerned. There are obvious differences between Tangier and Hong Kong, however there are also striking similarities in regard to the dynamic challenges of the transition period. It is the latter that deserves our full attention.

Tangier has a long history ranging back to the Phoenicians and Romans but its international importance emerged later starting with a British-Moroccan trade treaty in 1856 which stimulated trade exchanges passing through Tangier. To this were added colonial wars and annexations of Moroccan territory by Spain and France in the second part of the 19th century which forced the ruling Moroccan Sultan to accept the internationalisation of Tangier. Being strategically placed where the Atlantic leads into the Mediterranean sea opposite Gibraltar, Britain insisted on making this port city neutral in order to limit the influence of its traditional rivals France and Spain. After a few years of negotiations, Tangier was given an international status which underwent several modifications but lasted from 1923 to 1956, the year Morocco gained independence. Tangier retained some autonomy as a special zone until 1960 when it was fully merged with a larger provincial area thereby becoming a city like any other Moroccan cities.

A full comparison between Hong Kong and Tangier would deserve more time and attention . Readers who are not familiar with Tangier might have difficulties seeing how a North African city could be compared with an East Asian city like Hong Kong. However, anybody who has been to Tangier or has consulted relevant statistics on trade and economic growth would have no difficulties appreciating the formidable power which Tangier accumulated in such short time as an entrepôt centre, free trade centre, financial centre and harbour of multicultural tolerance. At its height, Tangier counted daily newspapers in French, Spanish, English and Arabic, radio and TV stations of international standing, general consulates of all main countries of the world and splendid villas belonging to well known writers, artists and movie stars. (4). Its wealth was legendary as was its free enterprise spirit which permeated all sectors of the population whether they were Christian, Jewish, Muslim, European, Arab, American or any other ethnic origin or denomination.

What counts for this analysis between Hong Kong and Tangiers is what happened during the transition period in Tangier between 1956 and 1960 and what these historical developments could mean for Hong Kong' future. Free trade is largely based on the existence of liberal trade regulations, a government which is non-interventionist and civil servants who are competent and immune to the temptations of rent seeking behaviour. Tangier was all of this until Morocco changed the rules of the game at the time of integration despite promises to the contrary of guaranteeing the unique specificities of Tangier's policy and administrative conditions.

Instead, free trade in foreign currencies was suspended and the national currency was imposed as the official and only currency. Civil servants were initially given permission to hold several passports but were later forced to choose Moroccan passports, give up foreign nationalities or loose their jobs. Ownership of enterprise was changed from being free to being bound to a mandatory minimal 51 % Moroccan majority ownership. Foreign language newspapers became censored, foreign language schools closed and the legal procedures were changed from international practice to more traditional forms of justice. All these changes caused severe loss of confidence resulting in a massive exodus of capital and people. Between 1956 and 1958, exports fell nearly 53 % (5), gold deposits were removed and taken to Europe. Bankers and diplomats abandoned their villas, thousands of long time-established non-Arabic inhabitants left

precipitously thereby depreciating the percentage of non-Arabic residents from more than 30% in 1959 to less than 1 % in 1990. Due to lax control of internal migration, thousands of poor peasants flocked into the city attracted by the higher standard of living causing a break down of physical and social infrastructures resulted in food shortages, unemployment, inflation and deterioration of hygiene standards. (6).

Seen from the perspective of the respective capitals, Peking and Rabat share similar concerns. Tangier with its strong international outlook and equally strong presence of foreigners is located at the periphery of Morocco's national boundaries, located at a strategic maritime position hence open to external influences and thereby posing a potential security risk. Tangier is also culturally closer to Morocco's sizeable cultural minority of Berber who amount to 30-40% of Morocco's population who have always preferred decentralisation rather being centrally governed from a mostly Arab dominated class of aristocrats and technocrats. Peking has to consider similar aspects in terms of integrating Hong Kong, a city open to the world and inhabited by foreigners and Cantonese speaking Chinese who feel more affinity towards their Cantonese speaking neighbours than towards the Mandarin speaking bureaucrats from Beijing who favour centralism and anti-spiritual pollution policies over free wheeling autonomy and cultural laissez-faire attitudes often considered as being too westernised. From a national unity perspective, both countries also share similar concerns about integrity of their territorial boundaries.

The integration of Hong Kong is also linked to the delicate issue of how to integrate Taiwan in the near future and how to prevent any polycentric tendencies which might cause China to fragment and splinter, hence its nervousness in regard to any mentioning of independence, be this from Taiwan or Hong Kong, and its emphasis on patriotism and obedience to the motherland.

Morocco has and continues to have a struggle with an area of Western Sahara which was previously a Spanish colonial possession but whose leaders now claim independence and whose claim has been supported by some countries who treat it as a sovereign state. Morocco has extended its claim on this region and subsequently had to fight several armed conflicts to gain control over most parts of this Western Sahara region. It is fully committed to integrate the Western Sahara region into its national boundaries. Morocco hence also has been emphasising national unity, central control, and spiritual primacy by the ruling King Repeated calls by underground labour union leaders for abolishing the monarchy and for replacing its current institutions with a parliamentary democracy have been actively resisted and severely sanctioned by the King.

Seen from the perspective of national unity, it is understandable that central powers want to reduce their country's economic dependence on a singular port city especially if such a centre of power is seen as being under foreign influence for instance where local people have been influenced in favour of decentralisation and autonomy and where local people are members of a perceived strong and potentially independence oriented national minority. Morocco built up Casablanca as a port city in order to counter Tangiers's long-time dominant economic and cultural influence . China might be equally inclined to accelerate the development of Shanghai in order to decrease the dominant role of Hong Kong both for economic and political reasons. While these concerns are perfectly understandable in light of the need of a country for internal

balance and perceived equity amongst its provinces, it nevertheless can lead to a sudden collapse of that very port city which is supplying the necessary financial and technical resources needed to build the rest of the country. Tangier collapsed, Morocco survived but at a considerable loss of economic and cultural vitality (7). Morocco is now trying to reinvent the kind of Tangier it once had by for instance by setting up again a special economic zone around Tangier and by proposing special investment schemes for foreigners. To rebuild international investors confidence in Tangier

necessitates however the existence of an environment which encourages economic and social dynamism, supports inter-ethnic and inter-religious tolerance and actively invites the local presence by foreigners who are after all an inevitable human side of the global economy. Such an openness and social tolerance however cannot be created by decree nor by government fiat.

It takes time, experience, openness and willingness to build and retain investors' confidence. The corollary to economic free trade is good governance exemplified by well established criteria of administrative success such as predictable and transparent rules and regulations, non-discriminatory treatment of citizens and enterprises, consistent control and sanction of rent seeking behaviour of government officials, guaranteed access to public services by all members of the community and avoidance of monopoly status be they by private or public enterprises. Loss of confidence can be seen in specific symptoms such as explosions in the number of housing and office construction, speculative transactions on the stock market, rising inflation and sudden increases of hoarding of foreign currencies and a sudden and accelerated flight of capital and people to foreign shores. These were the symptoms which preceded Tangier's collapse.

May the appearance of such symptoms serve as a warning to the new Hong Kong government but even more so to the government officials in Beijing who have to manage this difficult transition period. China's strategy to integrate Hong Kong through its policy of "One country, two economic systems" is promising. The real challenges will come now during the transition period of the next three years when policy has to face day-to-day implementation difficulties. We wish the post-colonial Hong Kong government and especially the government officials in China lots of success and we hope that this short historical comparison might help prevent any unwanted repetition of undesired developments in the coming years during the crucial transition period of Hong Kong's integration into China.

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## Author's Background

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