

Globalisation and Marginalisation of Labour:

The Case of Hong Kong

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Abstract

This paper explores the rise of marginal workers in Hong Kong after the 1980s. The author asserts that globalisation and regionalisation is the key to the marginalisation of labour. Marginalisation of labour in Hong Kong is signified by the rising structural unemployment and widening gap between the poor and the rich. Taking into account of the recent socio-economic development in Hong Kong, the impact of globalisation and regionalisation of capitalist world system on Hong Kong will be discussed in detail.

The 1980s witnessed an outward migration of Hong Kong capital into the Mainland China and a concomitant increase in unemployment of semi-skilled and un-skilled manufacturing workers. This has been the structural reason behind the worsening situation of poverty in Hong Kong since the 1980s. In the 1990s Hong Kong capital participates in the merge and acquisition of capital in the global context. Cases illustrate that the bargaining power of both the labour and the middle class has been

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undermined.

Introduction

The 20th Century witnessed the fastest rate of globalisation of the world economy in the history of capitalism. Most nations are now linked in a combined world system but with polarised and unequal development. Power and authority of the transnational capital are increasing as a direct consequence of the rise of the power of super-state institution like the WTO, the IMF and the World Bank. In the turn of the century, the proposed admission of China to the WTO marked the end of the long resistance of China against joining the world capitalist system. This process of globalisation will probably accelerate while individual nations will be incorporated more deeply in the world system in the 21st century. However, what globalisation will bring to most of the labour in the world is not an adequate and stable livelihood, but a life of poverty and uncertainty.

Being one of the 'Four Little Dragons', Hong Kong has always been quoted as the most successful example of market capitalism and a model of the export-oriented industrialisation of the Third World.² Since the 1960s, the Hong Kong government has adopted a 'laissez-faire/positive non-intervention' economic policy, which is currently recommended by the World Bank and the IMF to other Third World countries.

After the open door policy and economic reforms of China in 1979, Hong Kong's economy has been integrating with southern China to form a 'regional political economy' in which Hong Kong performs the role of a 'secondary world city'. Most of the

² Academics from both neoclassical and Marxist traditions quoted Hong Kong as the ideal case of competitive capitalism. Friedmann (1990) praises Hong Kong as the most successful case of the invisible hand of the market. Harris (1986) claims the success of the NICs represent 'the end of Third World(ism)' and Hong Kong is given as one of the examples.

production lines of the manufacturing industry of Hong Kong have already been moved into southern China. These factories in southern China employ millions of migrant workers from other parts of China. Hong Kong is also an ideal case for showing the marginalisation of workers caused by the changing international division of labour and the formation of regional political economy. Hong Kong workers face the threat of economic restructuring, the rise of unemployment, and the importation of migrant workers. This experience is not unique to workers in Hong Kong, but is shared by millions of workers in the NICs. The marginalisation of Hong Kong's labour is a direct result of the process of globalisation and regionalisation.

The incorporation of China in the WTO will definitely accelerate this process of globalisation and regionalisation. Thus it may have an adverse impact on Hong Kong workers. However, labour is not just a production factor or a proactive victim, but a real active actor, who will shape against the structure upon. Hong Kong labour, like their counterparts around the world, are ready to fight against the oppression and exploitation upon them.

Marginalisation of Hong Kong Labour

Restructuring of the Economy

Deindustrialisation in Hong Kong became significant and rapid after the early 1980s. Employment in the manufacturing sector as a percentage of total employment decreased from 41.3 per cent in 1981 to 18.9 per cent in 1996. In 1986 the number of workers employed in manufacturing industry was 946,653. It was the largest industry in Hong Kong in terms of workers employed. Owing to the continuous outflow of production capital, manufacturing industries lost some 178,000 jobs from 1981 to 1991. This de-industrialisation process accelerated in the early 1990s, and manufacturing industry lost another 570,000 jobs from 1986 to 1996. In 1996, only 574,867 workers remained in

the manufacturing industry.

Table 1: Working Population by Industry, Hong Kong, 1981, 1986, 1991, and 1996

Industry	1981	1986	1991	1996
Manufacturing	990,365	946,653	768,121	574,867
	41.2%	35.8%	28.3%	18.9%
Construction	185,999	164,268	187,851	245,440
	7.7%	6.2%	6.9%	8.1%
Wholesale, retail and import/export trades, restaurants and hotels	461,489	589,918	611,386	757,239
	19.2%	22.3%	22.5%	24.9%
Transport, storage and communication	181,368	210,367	265,686	330,974
	7.5%	8.0%	9.8%	10.9%
Financing, insurance, real estate and business services	115,870	169,967	287,168	408,686
	4.8%	6.4%	10.6%	13.4%
Community, social and personal services	375,703	486,167	539,123	680,048
	15.6%	18.4%	19.9%	22.3%
Others	93,273	75,933	55,768	46,444
	3.9%	2.9%	2.1%	1.5%
Total	2,404,067	2,643,273	2,715,103	3,043,698

Sources: Hong Kong 1991 Population Census Main Reports, Table 5.14, p.95 and Hong Kong 1996 Population By-Census Main Reports, Table 5.13, p.82.

In line with other industrialised countries, the service sector in Hong Kong has generated more jobs since the 1980s. For instance, wholesale, retail and import/export trades, restaurants and hotels increased from 16.2 per cent of the working population in 1971 to 24.9 per cent in 1996. Employment in financing, insurance, real estate and business services increased from 2.7 per cent in 1971 to 13.4 per cent in 1996.

Nevertheless, the relocation of capital is not exclusively restricted in manufacturing industry; some of the labour processes in the service industry have also been relocated to other countries. For example the relocation of reception of calls to Mainland China by

various pagers company, and the relocation of document processing to China by different banks, all signify the future trend of relocation of service industry, mainly the labour-intensive process, to China.

There was also a simultaneous change in the internal employment structure of manufacturing industries. From 1981 to 1991 the number of operatives fell 43 per cent while non-production staff increased by 11 per cent.³ Manual workers in manufacturing industries have been adversely affected by the trends of de-industrialisation and white-collarisation.

Displaced Manufacturing Workers

Many manual workers have been forced to leave manufacturing industries for other industries. Owing to their poor education, most of them could merely shift to low-paid, unskilled and precarious jobs in service industries. More and more manual workers, especially women, middle-aged and elderly workers, are facing the impact of economic restructuring. These displaced workers, who had earlier worked in manufacturing industries, encounter difficulties in securing jobs because their skills hold little market value.

While displaced manufacturing workers find themselves trapped in low-paid jobs in the service industry, those who remain in manufacturing industries often experience under-employment and receive lower incomes. Manufacturing workers experience a slower increase in wages and a deterioration of living standards. The real wage index of craftsmen and operatives in manufacturing industry decreased from 101.1 in 1993 to 96.9 in 1997.⁴

Comparatively speaking, production workers in manufacturing industries who can

³ Census and Statistics Department, 'Structural Changes in Manufacturing Industries 1981-1991' in *Hong Kong Monthly Digest of Statistics*, September 1993, p.119.

⁴ Census and Statistics Department (1999) *Hong Kong Annual Digest of Statistics 1998*. Table 2.12 p.26.

retain their jobs in the same industry, or who can find low-paid jobs in service industries are fortunate, although they have much lower incomes. Many laid-off workers are so unfortunate that they can never re-enter the labour market to procure other employment.

The Rise of Structural Unemployment

During the late 1980s and the first half of the 1990s, the unemployment rate of Hong Kong stayed below 2 per cent, which was very low when compare with other western industrialised countries. However, the scenario has deteriorated since 1995. In 1995 the official unemployment rate was over 3 per cent for the first time since 1985. Nevertheless, after the financial crisis in Asia in October 1997 the unemployment rate experienced such a quick and tremendous surge that in early 1999 it reached its historically high level of 6.3 per cent.

The Widening Gap between the Rich and the Poor

Due to the rise in unemployment and the underemployment of marginal workers as well as stagnant wages, poverty and inequality in Hong Kong have worsened tremendously. The number of cases under the Comprehensive Social Security Assistance (CSSA) Scheme, the only government-financed income support scheme in Hong Kong, rose sharply from 72,929 in 1991 to 227,454 in 1998. Among the different types of cases, unemployment cases had the highest rate of increase. In 1991, there were merely 2,248 unemployed CSSA cases, which increased 13 times to 30,290 in 1998. During the same period, the caseload of low paid case also increased 7 times from 1,036 to 7,348. These figures demonstrate that a growing number of people with working ability fall below the poverty line.

Another signifier of the marginalisation of Hong Kong labour is the widening gap between the poor and the rich. According to the data of the by-census 1996, the Gini Coefficient reached its recorded highest level of 0.518 (Hong Kong Census and Statistics

Department 1997). In 1971 the Gini Coefficient of Hong Kong was only 0.43. In the 1980s the economic restructuring process induced a growing discrepancy in income, thus the Gini Coefficient was increasing and reached 0.451 in 1981 and then 0.476 in 1991. In the early 1990s the process of economic restructuring accelerated, with a concomitant widening of the gap between the rich and the poor.

From 1981 to 1996, households with the lowest income have shown no sign of improvement in share of income, whereas there is a sign of decrease in the actual income of the low-income households. The twenty per cent of the households with the lowest income, the first quintile, earned only 4.6 per cent of total household incomes in 1981. The figure increased slightly to 5.0 per cent in 1986. However, in the period from 1986 to 1991, the ratio fell back to 4.3 per cent. During the period 1991 to 1996, the ratio even sharply decreased to 3.7 per cent. We can see that the income gap had widened in the 1980s and the situation of low-income households has worsened significantly in the 1990s.

Table 2: Decile Distribution of Household Income of
Domestic Households, 1981-1996

Decile group	1981	1986	1991	1996
1 st (lowest)	1.4	1.6	1.3	1.1
2 nd	3.2	3.4	3.0	2.6
3 rd	4.4	4.4	4.0	3.6
4 th	5.4	5.4	5.0	4.6
5 th	6.5	6.4	6.1	5.7
6 th	7.8	7.6	7.4	7.0
7 th	9.4	9.1	9.0	8.5
8 th	11.5	11.4	11.4	10.6
9 th	15.2	15.2	15.5	14.5
10 th (highest)	35.2	35.5	37.3	41.8
Total	100.0	100.0	100.0	100.0
Gini Coefficient	0.451	0.453	0.476	0.518

Source: Census and Statistical Department, Hong Kong Monthly Digest of Statistics, December 1996 & Census and Statistical Department, Hong

Kong 1991 Population Census Main Report.

The Impact of the Asian Financial Crisis

In the late 1990s, the bubble economy of Hong Kong burst after the Asian financial crisis. As lots of employees faced unemployment and wage cutting, the income inequality has been tremendously worsening. In 1990, the average income of the first quintile income households was \$3,450 and in 1997, the average real income of this group slightly increased to \$3,668. However, after the Asian financial crisis, the average income of this lowest quintile group decreased to \$2,645 for the first nine months of 1999. In other words, from 1990 to 1999 the real income of the poorest one-fifth households in Hong Kong has decreased 23.3 per cent.

On the contrary, income of the wealthiest strata in Hong Kong has recorded significant increase. In 1990, the average income of the fifth quintile group was \$28,850, whereas in 1997, the average real income of this group increased to \$36,397. After the Asian financial crisis, their income still have recorded real growth and increased to \$37,115. The real income of the wealthiest one-fifth households of Hong Kong has increased 26.1% from 1990 to 1999. These figures clearly demonstrate that the impacts of the Asian financial crisis were mainly on the low income, unskilled employees. The impacts of the Asian financial crisis on the professional and administrative employees are limited. It also signifies that the process of economic restructuring in the early 1990s has worsened the income inequality in Hong Kong. Worse still, the economic downturn in the late 1990s has further reduced the income of the working class; disparity between the rich and the poor is thus increasing.

Officials of the Hong Kong government deny the existence of poverty problem in Hong Kong and argue that income inequality exists in every capitalist economy. However, the government's claim that poverty is not a problem does not stand up to serious scrutiny, when the situation of absolute poverty is considered in Hong Kong. According to various poverty researches in the 1990s, about 10% to 15% in Hong Kong are living in

absolute poverty (Liu, Yue and Lee 1996; MacPherson 1994; MacPherson and Chan 1996; Wong and Chua 1996). More than 600,000 of them were living in subsistence level with minimal expenditure. Owing to their low income and lack of resources, they have been socially excluded from social as well as economic participation of the mainstream society.

Globalisation: Cause of Marginalisation

The globalisation of the world economy, the incorporation of new countries into the world system, and the accelerated migration of capital in the form of foreign direct investment by the Transnational Corporations (TNCs), have all facilitated the establishment of an integrated international production system, now called the 'Changing International Division of Labour' (CIDL)⁵. The extensive migration of capital is cited as the major reason for the marginalisation of world labour, both in the developed countries and in the Third World. Some argue that it marks the end of the era of Fordist accumulation and epitomises flexible accumulation as the hallmark of the post-Fordist era.

However, the flexibility of capitalism is not new. Although the appearance of capitalism has changed, the essence of it – flexibility and eclecticism – remains unchanged. We should understand the current transformation of capitalism as being a specific stage of its development to achieve greater liquidity, flexibility, and freedom of choice.

Both the 'miracle' economic success of Hong Kong in the 1960s and 1970s and its rapid de-industrialisation since the 1980s can be understood from the perspective of the CIDL, emphasising the role of Hong Kong in the regional political economy and the world system. The CIDL on a global scale and the resultant relocation of production in the 1950s made it possible for local export-oriented manufacturing, given its

⁵ For the changing of term 'New International Division of Labour' to 'Changing International Division of Labour', please refer to Chapter 7 of Cohen (1987).

labour-intensive nature, to be competitive in international markets (Lui and Chiu 1993). Moreover, the formation of the international subcontracting network (mainly in the garment and electronic products industries) has facilitated the incorporation of Hong Kong into the world system through the TNCs (Dicken 1986; Germidis 1980; Henderson and Cohen 1982; Lui and Chiu 1993).

The Formation of a Regional Political Economy

With the advent of economic reforms in China in 1979, Hong Kong's economy has been gradually integrating with the economy of southern China, especially the Zhujiang Delta Region (ZJDR). Most of the manufacturing industries in Hong Kong have relocated their production to China to benefit themselves from the cheap labour and rent (Chiu et al. 1997).

Table 3: Estimated Value and Proportion of Outward Processing Trade between Hong Kong and China, 1990-1997

	1990	1993	1994	1995	1996	1997
Total exports to China						
(million HKD)	91,914	160,178	181,179	217,612	222,324	244,887
(%)	(58.8%)	(47.9%)	(47.7%)	(48.6%)	(46.9%)	(48.6%)
Imports from China						
(million HKD)	145,103	295,203	354,912	399,567	452,890	491,142
(%)	(61.8%)	(73.8%)	(75.4%)	(74.4%)	(79.9%)	(81.2%)
Re-exports of China Origin (except to China)						
(million HKD)	NA	364,536	422,544	492,461	552,822	595,511
(%)		(80.8%)	(82.0%)	(82.2%)	(86.0%)	(88.4%)

Notes: Figures in brackets show the proportion in percentage terms of estimated outward processing trade in overall trade between Hong Kong and China.

Source: Census and Statistics Department (1999) *Hong Kong Annual Digest of Statistics 1998 Edition*, p.48.

Outward processing (OP) is the process whereby raw materials or semi-manufactures from or through Hong Kong are exported to China for processing, with a contractual arrangement for subsequent re-importation of the processed goods into Hong Kong. With reference to Table 3, the OP proportion of total exports to China experienced a steady decline between 1990 and 1995 (from 58.8% to 48.6%) and then stayed at that level until 1997. However, the OP values of exports maintained an upward trend, increasing significantly from HKD 91,914 million in 1990 to HKD 244,887 million in 1997. Moreover, the percentage of OP values of imports from China steadily increased between 1990 to 1997 (from 61.8% to 81.2%); so did the percentage of OP values of re-exports of China origin (from 74.1% in 1991 to 88.4% in 1997).

These trends signify that production facilities and market channels have become more developed in China so that the OP process is now more independent in seeking raw materials, machines and resources from sources other than Hong Kong. On the contrary Hong Kong is now more dependent on the production process in China in terms of its economic relationship with China. Hong Kong no longer merely acts as an entrepôt for trading with China, but as a secondary world city to export to the rest of the world products which are manufactured in China.

Table 4: FDI Flows to China, by Origin, 1985-96

Country	Share of Total FDI (%)
Hong Kong & Macau	58.0
Taiwan	8.4
Japan	8.0
USA	7.9
Korea	2.5
UK	1.9
France	0.7
Italy	0.5
Others	12.1

Source: National Bureau of Statistics, China Statistical Yearbook, 1997

The importance of Hong Kong capital in financing China's rapid industrialisation and facilitating the integration of southern China into the world system can be reflected by the major share Hong Kong capital has in the total foreign investment in China. Referring to Table 4, Hong Kong capital is the most important single investor in China. Investments from Hong Kong (and Macau)⁶ accounted for 58 per cent of total foreign direct investment in China from 1985 to 1996.

All of the above facts support the general thesis of the Changing International Division of Labour (CIDL) that production capital migrates from high wage to low wage countries. However, the real migration processes are much more complex than the abstract model. In the case of capital migration between Hong Kong and China, the flow is not unidirectional. Capital migrates from Hong Kong to China and vice versa. It is obvious that significant amounts of capital also flow from China to Hong Kong. In 1994, China first surpassed Japan and became the second largest capital exporter country into Hong Kong. In 1996, the stock of FDI from China was 114.2 billion Hong Kong dollar, constituted 18.7% of the total stock of inward Direct Investment⁷.

Capital from China can be divided into three categories: namely investment in the service sector, 'round-tripping' investment, and hot-money investment⁸. It is interesting to note the importance of round-tripping investment between Hong Kong and China, which is one of the reasons for the huge amount of investment from Hong Kong to China. Round-tripping investment refers to domestic investment made under the guise of foreign investment which is aimed at taking advantage of fiscal (tax-reduction, low-tariff) and other benefits available to foreign investors (export quotas) in a given

⁶ Hong Kong and Macau are lumped as a single region in the statistics of FDI in China, but most of the FDI has come from Hong Kong.

⁷ Source: Census and Statistics Department (1999) *Hong Kong Annual Digest of Statistics 1998*.

⁸ Hot-money investment is a highly mobile investment, which grasps every opportunity to earn extremely large profits in the high-risk financial market. Due to its high-risk, the hot-money investment may lose extremely large sums of money all of a sudden.

country (Kwan 1994).

A rising proportion of FDI in China is believed to be of this nature: investment capital originating in China, flowing to Hong Kong and then re-entering China as foreign investment. Round-tripping investment from and to China via Hong Kong does not involve a net flow of funds between China and Hong Kong. Therefore, the magnitude of capital outflows from Hong Kong is much smaller than the nominal figure.

All in all, the out-migration of production capital from Hong Kong to China supports the general thesis of Changing International Division of Labour that production capital migrates from high wage areas to low wage areas and that the out-migration of capital has created unemployment in the host country. However, the flow of capital is not so simplistic and uni-directional. Capital (most of it belongs to provincial governments or large state enterprises) from socialist China also utilises every opportunity flowing from the deregulation and denationalisation process in China.

The above analysis of the inflows and outflows of capital between Hong Kong and China shows that the logic of the flow of capital is guided by a single principle -- to earn as much profit as possible. The 'round-tripping investment' from China to Hong Kong; the increasing fragmentation of the production/circulation process of the TNCs; and the easy-turn direction of capital flows, all signify the essence of capitalism, that is, 'adaptation' and 'eclecticism' as suggested by Braudel (1982: 433). Capital flows from high-wage areas to low-wage ones, or from North to South, while investors will grasp every opportunity to increase their profit and flexibility. It reveals that the thesis of the NIDL illustrates only one specific phase of capitalism.

The Flexibility & Eclecticism of Capitalism

The restructuring of capitalism, going on since the 1970s according to Arrighi, should be understood as a phase of discontinuous change, which is typical rather than atypical of the history of capitalism. Arrighi (1994) argues that 'long periods of crisis,

restructuring and reorganisation, in short, of discontinuous change, have been far more typical of the history of the capitalist world-economy than those brief moments of generalised expansion' (1994: 1). Arrighi asserts that the current transition from Fordism to 'flexible accumulation' can be understood in two theoretical traditions: first, Fernand Braudel's argument that the essential feature of historical capitalism has been 'flexibility' and 'eclecticism' (Braudel 1982); and Karl Marx's general formula of capital: M-C-M*, which can be read both in a micro and a macro perspective.

Braudel contends that an essential feature of the general history of capitalism is 'its unlimited flexibility, its capacity for change and *adaptation*' (1982: 433). Braudel also suggests that '*eclecticism*' rather than concrete forms are the general characteristics of capitalism. The distinctive advantage is 'not having confined oneself to a single choice, of being eminently adaptable, hence non-specialised' (1982: 381).

Braudel's thesis is supported by Marx's formula M-C-M*. Arrighi summarises and interprets Marx's formula as follows: 'Money capital (M) means liquidity, flexibility, freedom of choice. Commodity capital (C) means capital invested in a particular input-output combination in view of a profit. Hence it means concreteness, rigidity, and a narrowing down or closing of options. M* means *expanded* liquidity, flexibility, and freedom of choice' (1994: 5) (original stress). Arrighi also suggests that the formula, at a micro level, means that capitalist agencies invest money as a means to an end of securing an even greater flexibility and freedom of choice at some future point; and that, at a macro level, the formula represents a recurrent pattern of historical capitalism as a world system. The central aspect of this pattern is the alternation of epochs of material expansion (M-C phase) with phases of financial rebirth and expansion (C-M* phase).

Post-Fordist Era: Flexible Accumulation

According to Arrighi, the world capitalist system is now experiencing the C-M* phase -- from 'Fordism' to 'Flexible Accumulation' -- the financial rebirth and expansion of capitalism. For Fordism, the system of the organisation of labour has been linked to

the system of industrial production at both a macro and a micro level. At the macro level Fordism wanted labour to benefit from increasing productivity, to ensure an expanding demand for products (Aglietta 1979). It was argued that this relationship was assured through the development of wage-determination systems, which provided for steadily rising real wages in line with productivity. The search for an accommodation to post-Fordist conditions led to a fragmentation of wage-determination systems, reflecting a more fragmented and unstable system of industrial production.

Harvey (1987) claims that the transformation of Fordism to flexible accumulation is inevitable. According to him, flexible accumulation is a direct confrontation with the rigidities of Fordism. The new form of capital accumulation rests on flexibility with respect to labour processes, labour markets, products and patterns of consumption. Agreeing with NIDL and CIDL theorists, Harvey claims that 'time-space compression' has enhanced the powers of flexibility and mobility and has allowed employers to exert stronger pressures of labour control through high unemployment.

In the post-Fordist era, flexible accumulation, which is one of the fundamental reasons for the marginalisation of workers in the global context, has become the dominant mode of accumulation in the world capitalist system. Moreover, Fordism represents not only a micro system of labour organisation, but also a macro system of social political formations of Keynesianism, welfarism and corporatism (Clarke 1988). Therefore, in the post-Fordist era, this new flexible accumulation also requires the state to perform roles different from those in the Fordist era.

The Regional and Nation Levels: State Intervention

Capital is not operating in a social and political vacuum, without any restrictions on its free will to migrate to gain profit. The migration of capital mainly operates in an 'inter-national' context. Both individual nation states and the newly forming super-state (e.g. the EU) contribute to the current changes of capitalism and the marginalisation of workers.

Two contradicting hypotheses have been suggested -- the 'strong state' thesis vs. the 'weak state' thesis -- in accounting for the contemporary changes of capitalism. The strong state thesis proposes that the state plays an active role in lowering labour costs, in reducing the rigidity set by organised labour, in curbing the power of the union and the risk of strikes in order to attract investment from both foreign and local capital (Arrighi 1994; Castells and Henderson 1987). On the contrary, the weak state thesis suggests that Fordism fades out as states become weaker and weaker in handling conflicts between capital and labour, and conflicts between different sections of capital and labour. Offe (1985) and Lash and Urry (1987), supporters of the weak state thesis, have declared the end of 'organised capitalism' and the emergence of 'disorganised capitalism'. They insist that the increasing spatial and functional deconcentration and decentralisation of corporate power has substituted the conscious regulation of national economies by capital and government officials.

The French 'regulation school' takes a different stand, which focuses on the changing roles of the state. They do not involve themselves in the debate of whether the state is strong or weak. They merely consider the 'state' as just part of the parcel -- a regime of accumulation. The French regulation school has interpreted current changes in the mode of production of capitalism as a structural crisis of the Fordist-Keynesian 'regime of accumulation' (Boyer and Durand 1997; Peck and Tickell 1995). The Fordist-Keynesian regime describes a particular phase of capitalist development characterised by investments in fixed capital for regular increases in productivity and mass consumption. For this potential to be realised, adequate governmental policies and actions, social institutions, and norms and habits of behaviour (the 'mode of regulation') are required. 'Keynesianism' is described as the mode of regulation that has enabled the emergent Fordist regime to realise its potential fully. It happens that this in turn is considered as the cause of the 1970s economic crisis (Aglietta 1979; Lipietz 1986, 1987).

The 'Weak' State: The Positive-noninterventionism of Hong

Kong

Among the 'Four Little Dragons',⁹ government expenditure as a percentage of GDP is lowest in Hong Kong. Furthermore, there have not been any significant signs of the government's active intervention in the economy such as a nationalised industry, restrictions on the mobility of foreign and local capital, a Central Bank, or long term planning on economic development strategy. Relative to the other NIC governments, the state of Hong Kong is the weakest with reference to its self-restraint and limited powers of intervention in the market. Moreover, under the Basic Law, which is a minor constitution in force since July 1st, 1997, the government is obliged to maintain a low tax rate. Moreover, the fiscal system is confined by the Basic Law so that the government must spend less than its revenue. These make the Hong Kong government basically a 'small' and 'minimal' government.

Many neo-classical economists thus consider the Hong Kong government as an ideal model of a laissez-faire economy (Friedmann and Friedmann 1980). They believe that a 'weak' noninterventionist state is the best means of allowing the free market to regulate the economy and achieve economic prosperity. However, this weak state thesis is only part of the truth and does not stand up to scrutiny. Other academics argue that the state of Hong Kong is not really weak and reactive, but strong and proactive (Castells et al. 1988; Schiffer 1984; Youngson 1983).

Officially the Hong Kong government's economic philosophy is 'positive noninterventionism' (Haddon-Cave 1984) rather than the laissez-faire philosophy as suggested by Friedmann and Friedmann (1980). The main difference between positive noninterventionism and laissez-faire is that under the former the government has certain quite specific 'obligations'.

The Hong Kong government claimed that its basic role in economic development

⁹ The 'Four Little Dragons' are Hong Kong, Taiwan, Singapore and South Korea.

was to provide minimal intervention, as the economy was self-regulating. However, the 'obligations' of minimal intervention could be expanded (or contracted) in view of the needs of the accumulation of the capital. Schiffer (1984) argues that the colonial state of Hong Kong has actively participated in the facilitation of economic growth. Castells et al. (1988) specifically identify the massive public-housing programme established in the 1950s as a crucial factor contributing to the success of manufacturing industries. Castells et al. argue that housing, being a collective consumption, if provided by the state, can lower the reproductive cost of workers. Therefore low cost housing serves the function of a 'social wage'. In other words the public-housing programme in Hong Kong has the effect of subsidising the wages of the low-wage population so that working-class families are able to survive on the low wages received from their employers, and the employers are indirectly subsidised by the state to continue their pursuit of low-wage, labour-intensive manufacturing.

In 1998, after the Asian Financial Crisis, the Hong Kong government spent 118 billion HKD buying shares of the 'blue chip' companies in Hong Kong in order to rescue the stock market and defend the pegged exchange rate (Ta Kung Po 27/10/1998). Almost one sixth of all the financial reserves of the Hong Kong government was allocated to this single rescue action. As expected, this action received numerous attacks from neo-classical economists, who criticised the Hong Kong government for violating the guidelines of 'noninterventionism'.¹⁰ However, these neo-classical economists missed the point that Hong Kong government has a track record of spending taxpayers' money to rescue various commercial banks in crisis e.g. Hang Lung Bank and Overseas Trust Bank. These extensive and direct interventions in the financial market show that the Hong Kong government sometimes acts as a 'strong' state, which contradicts the 'positive nonintervention' philosophy.

¹⁰ For example, Alan Greenspan, chairman of the United States Federal Reserve and Charles Adams, deputy economist of IMF publicly criticised the intervention of Hong Kong government (Hong Kong Standard 23/9/1998).

The role of the state, however, may be more evident in moments of crisis, when its regime of regulation no longer satisfies the changing needs of capital accumulation. Lui and Chiu (1993) claim that under the nonintervention banner, the indirect institutional and infrastructural intervention of the Hong Kong government is far from adequate to cope with problems arising from the process of industrial restructuring.

The Role of the State in Hong Kong

The case of Hong Kong is characterised by small local manufacturing establishments under a noninterventionist state policy. The Hong Kong government would not support an individual industry or enterprise; whereas the other NIC governments, like Taiwan, Singapore and South Korea, are actively involved in strategic planning, training, and research and development activities. Hong Kong finds herself lagging behind in the technological upgrading of the export-oriented industry. Therefore, the survival strategy of small enterprises is to relocate their production processes to China and other Southeast Asian countries rather than to retain their production base in Hong Kong by upgrading their technology level to compete with other NICs.

Capital and labour in Hong Kong are highly unorganised and capital accumulation is extremely fluid and fast. It needs a state which is as flexible as its capital and labour. The Hong Kong government, in trying to accommodate itself to the rapid economic restructuring in Hong Kong, is in fact part of a flexible regime of regulation.

The basic role of the Hong Kong government is to allow production capital to change its products as well as its industries smoothly and quickly. Therefore, the government maintains its detachment from subsidising any one industry (Lui and Chiu 1993). Lacking long-term planning and a direction in social and economic development, the Hong Kong government helps to intensify the adverse effects of de-industrialisation. The marginalisation of labour in Hong Kong is really reinforced by the state's noninterventionism.

We can see that the increasing collusion between capital and the state has made the state act for the benefit of capital and lose its 'relative autonomy'. The mode of regulation of the state of Hong Kong has become explicit in protecting, maintaining and extending the interest of national and global capital.

According to the Sino-British Joint Declaration and the Basic Law, Hong Kong will continue its capitalist system after 1997 for fifty years under the framework of 'One Country Two Systems'. Maintaining the stability and prosperity of Hong Kong is top of the agenda for the Chinese government. Faced with the threat of the retreat of capital before and after 1997, the main strategy of Chinese officials is to maintain the confidence of the capitalists in Hong Kong. Not only have verbal assurances been given by the top leaders of China to the capitalists time and again, but the allocation of political power in the Hong Kong Special Administrative Region (HKSAR) government also favours capital.

Capitalists continue to complain about Hong Kong's increasing social welfare budget and mounting labour legislation. Their reason is that these would destroy the corner stones of the success of Hong Kong: minimal government intervention and low tax rates. Any increasing expenditure on social welfare and new labour legislation, to them, was a conspiracy of the British to destroy the financial tradition of Hong Kong, leaving the mess for the HKSAR government to handle (Wong 1997).

Some Chinese officials seem to accept the arguments of the capitalists and publicly assert that the rapid increase in the social welfare budget will bring disaster to Hong Kong. In the various advisory bodies on Hong Kong affairs within the Chinese government, most of the appointed representatives are from commercial and business backgrounds. Only a few of them possess a grassroots or labour background. Thus, the attitude of Chinese officials reinforces the imbalance of power between capital and labour in Hong Kong. The Chinese state acts exactly as a super-state to protect the rights of capitalists and to entice them to continue their investment in Hong Kong and Mainland China.

The continuation of the imported labour scheme in the early 1990s, and the cancellation of collective bargaining rights legislation by the Provisional Legislative Council in 1997, are evident examples of the increasing authority of capital over labour policies and legislation in Hong Kong. The widening imbalance of bargaining power between capital and labour is one of the main reasons behind the continuous marginalisation of workers in Hong Kong.

The formation of a regional political economy -- Hong Kong in China -- illustrates the existence of a political structure which controls the social and political environment of capital accumulation and induces the marginalisation of workers in the region concerned. The marginalisation of workers in Hong Kong is a direct impact of the policies of the state and super-state on workers, so we should understand the marginalisation crisis of workers against this background. The marginalisation process is basically a product of class formation, which is conditioned by the economic, political, immigration and other related policies of the state.

The Impact of WTO: Rising M&A activities

The migration of production capital from the developed countries to the NICs has received much attention. In reality the majority of FDI are migrating from developed countries to developed countries, with the increasing flow of the FDI conducting in the Merge-and-Acquisition activities of the transnational corporations, mainly in banking and insurance, chemical and pharmacy, telecommunication and media. These industries are under keen competition in the global market. Moreover, the set up of the WTO tries to help the transnational capital to enter those 'green field' countries, whose industries are nationalised or under 'import-substitution' policy. It is not just the market that the transnational capital is interested, but also the control and merge with capital in the NICs and ex-Socialist countries.

Hutchinson, a Hong Kong based transnational company, sold their UK mobile phone company 'Orange' to Mannesmann (MMN), a German based transnational company. The merge which has induced another company, VOD, to acquire MMN demonstrates a typical case of the rising M&A activities: some transnational corporations merge, pushing other corporations in the industries to follow and merge with other corporations.

Such M&A activities in reality are not a real migration of production capital, or migration of production process. The real significance is the increasing monopoly of these transnational capital which is not a good news to both the working class and the middle class. The bargaining power of labour is decreasing when they face the oppression and exploitation of the monopolised capital. Hutchinson has a recorded profit of 100 billion HKD; however, its thirty thousand employees will still have no pay rise in the year 2000. This example vividly shows that in the M&A activities capital will be the winners whereas labour will be the losers.

Furthermore, the impact of the merging activities will not be merely limited to the manual labour. Owing to the duplication of the management and technical staff, who perform the control and management functions, many transnational corporations will make middle rank technical and management staff, or even higher rank administrative staff redundant after the merge. The joining of China in the WTO will surely accelerate the M&A activities among the transnational capital in China, Hong Kong and other developed countries. Therefore, we may expect that these M&A activities will have a negative effect to both the working class as well as the middle class in Hong Kong. The power of the capital will be increased as a result of the 'constructed' picture of a keen competitive environment around the world. The marginalisation of labour will increase in scope and depth, therefore, more employees will face the threat of redundancy, and more employees will be employed as part-time, temporary, contracted or sub-contracted workers.

In the globalised world, especially after the set up and the functioning of the super-state institutions like the WTO, the World Bank and the IMF, capital is not bounded by their own nationalities. However, labour still remains divided, not only in their nationalities, but also in their political affiliations, industries, skills, gender and race. In order to tackle the increasing authority and power of the transnational capital, it is the critical moment for the labour movement to rethink and reformulate their strategy along the new internationalist direction.

A Final Remark: Continuous Marginalisation and the Class Formation Process

After the Asian financial crisis exploded in October 1997, Hong Kong has faced the most severe economic downturn of the last thirty years. Hundreds of thousands of middle management and service workers in Hong Kong face redundancy and wage cuts. This crisis signifies not only 'the end of the Asian miracle' but also an extension of the marginalisation from manual workers to non-manual workers. The impact of the Asian financial crisis on the NICs, in particular the cutting-off of cheap foreign loans and investment, resembles the economic crisis of the scale of the 1970s in the West. When the marginalisation of workers in Hong Kong is intensified, will the 'permeable' class structure transform into a marginal class trap? It seems possible but further research is needed. More researches are recommended to investigate both the continuous marginalisation of workers as well as the relationship between the formation of the marginal class and the formation of the mainstream working class in Hong Kong.

Finally, I argue in my recent work that marginal workers are not the minor, unimportant, powerless and transient elements of capitalist development. Marginal is critical. Marginal workers can unite and resist the oppression and exploitation visited upon them (Wong 1999). However, whether their struggles will be successful is an unfinished story.

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