



Research proposal

This research proposal is one of the three components that lead to an internship worth 30 credits towards the BA International Studies degree. It must be discussed with, and approved by, a Leiden University faculty member. After this approval, it should be submitted to the Board of Examiners, together with your Internship plan.

The proposal should consist of a research question or hypothesis, provisional outline, a bibliography (between 2,000 - 2,500 words, all inclusive) and a schedule. The proposal should lead to a research paper consisting of 7.000 words, all inclusive.

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Proposed number of credits

7 EC

Research question or hypothesis

What are the economic, institutional, and social factors behind Hong Kong's economic success?

Provisional outlineIntroduction

Milton Friedman once said “if you want to see capitalism in action, go to Hong Kong” (Ingdahl 6). He presented Hong Kong as perhaps the greatest success story in modern history of a 100% free market economy. Friedman did have a point in saying that Hong Kong was a success story: it is estimated that the city grew at an average rate of 6.8% for more than 30 years (HK Government Statistics 2), becoming one of the first Asian states to achieve the development standards of the West. Hong Kong achieved the GDP per capita levels of a developed country already by the time that mainland China was just starting to implement economic reforms under the leadership of Deng Xiaoping. Yet, even though Friedman's laissez-faire explanation for Hong Kong's success remains very popular, alternative theories have begun to emerge in academia. A debate has been taking place in recent years with regards to the welfare policies implemented by the Hong Kong public administrations that took office after the end of the city's status as a British colony in 1997. Neoclassical economists, including Friedman, have criticized these policies, arguing that Hong Kong owes its success exclusively to the fact that it has historically had a small and non-intervening government. However, other economists have argued that institutional factors and government intervention are as essential as free enterprise in explaining why Hong Kong became an industrial power and an international financial center. It is in the context of this debate that the research paper being presented here will discuss the main factors behind Hong Kong's economic success. Based on the evidence found during the first 45 days of research, a thesis will be formulated, in which I will state what I consider to be the most important factors. This thesis will then be assessed against all the evidence found at the end of the research period, and a conclusion will be written based on this assessment.

Literature review

The existing literature on this issue tends to vary in perspective, depending on the time period it was written. Journal articles published during the Cold War can be categorized as Neoclassical, Neo-Confucian, or Neo-Marxist. Post-1991 literature presents mostly hybrid

accounts for Hong Kong's economic success, by bringing together different elements from the more radical positions presented by scholars during the 1970s, under the influence of the Cold War's ideological dualism.

Neo-Confucianism focuses on the Confucian values, present not only in Hong Kong but also in mainland China, which make individuals more likely to be fully committed to the success of their company, and also more likely to adopt a strong work ethic in order to achieve their goals (Brown 22-29). However, this philosophical-sociological account does not explain the timing of Hong Kong's industrialization, which occurred only after World War II despite the fact that these Confucian values had been part of Cantonese society for centuries. Neo-Marxism on the other hand explains the industrialization of certain Asian states, especially South Korea and Taiwan, via the fact that these countries were industrialized while being ruled by authoritarian regimes that were actively involved in the economy, by promoting heavy industry that would drive up economic growth (Chen 11-13). This is an argument that perhaps can be applied to the recent industrialization of mainland China, but not to Hong Kong. Both during the colonial period and after the 1997 handover, the Hong Kong Government has always been liberal and plural, and it has never been actively involved in the promotion of industry like its South Korean and Taiwanese counterparts.

Alvin presents a world-system perspective, by arguing that Hong Kong's success was shaped both by the hegemonic global capitalist system and by constant interactions with Communist China (241-245). On the issue of Hong Kong-mainland China relations, Kraus says that "geographical isolation permits the People's Republic of China to benefit from bourgeois skills from Hong Kong without sustaining the cost of internal capitalist institutions, thus giving place to an unequal exchange" (253). Brown agrees with this view and says that cheap food from mainland China subsidized the Hong Kong Dollar and allowed the city to have lower living costs than it would have under normal circumstances (34). Ergo, this exchange with the mainland allowed Hong Kong to industrialize because workers could be paid lower wages. In addition, this mainland-dependency argument from Kraus presents the idea that Cold War tensions helped Hong Kong by focusing all the political pressure from the West onto Maoist China, while leaving Hong Kong in a situation of peaceful coexistence between the British colonialists and the Chinese capitalists that had arrived from the mainland escaping the Cultural Revolution. Alvin agrees with this argument albeit with the objection that it does help to explain the early industrial period of Hong Kong during the Cold War, but it does not fully explain the city's conversion from an industrial powerhouse into what it currently is: a world financial center with an economy almost exclusively based on the service sector. For this recent conversion, Alvin argues that the influence of global capitalism was much more significant than that of mainland China (247). Alvin gives in this sense the most credit to local capitalists who took ideas from the developed world, especially the United States, and

used them to diversify the industry first, and then to make the city go from an industrial center to a trade and financial hub.

As it can be seen, the existing literature presents different accounts for Hong Kong's economic success. Some authors focus more on sociological elements such as the values that define Hong Kong's society, while others prefer to explain its success via its simultaneous interactions with neighboring mainland China and the capitalist West.

Research methodology

Given the fact that I will be physically located in the same region that the research paper focuses on, I plan to use as many primary sources as I find suitable. I will visit local archives to retrieve documents that are not accessible via online channels, and I also plan to hold at least one interview with a local scholar with expertise in the social and economic history of Hong Kong. The primary goal of this interview will be to formulate a thesis regarding Hong Kong's economic success. Was it mostly a matter of "luck" given its strategic location, was it just an almost perfect functioning of the free market, or have institutional factors also played a key role like they have in other parts of the capitalist world? All primary sources I use will be thoroughly checked to ensure their reliability, and any biases present in data will be taken into account and pertinently mentioned.

Proposed structure

- Introduction
 - o Present the research question and discuss the recent debate that has been taking place with regards to which were the essential factors in shaping Hong Kong's economic success. Also discuss the importance of this debate given the fact that Hong Kong has gained a prominent place in academia as an example of how things should be done, with very well-known economists such as Milton Friedman praising Hong Kong's system and advocating its application in other parts of the world. Clearly state a thesis towards the end of this introduction, which will be constantly referred to throughout the paper.
- Literature review
 - o A more comprehensive assessment of existing literature than the one present in this document. Discuss major works by categorizing them in strands, and then present the merits of each of the strands, as well as its shortcomings in the face of recent events.
- Historical background (1950-2000)

- Main historical events and time periods in Hong Kong's historical process of starting as an underdeveloped fishing village, to then become an industrial powerhouse first and an international financial center later.
- Economic factors
 - Discuss trade with mainland China, the advantages of a naturally deep harbor, influx of low-waged labor forces, competitiveness of the Hong Kong economic system, high levels of Foreign Direct Investment (FDI) and an increasingly qualified and well-educated working force.
- International factors
 - Relation with Communist China throughout the years, and influences from the colonial metropole in Great Britain and the rest of the capitalist West.
- Institutional factors
 - Stable governmental structures both during the colonial period and after the handover, very low debt levels and almost no fiscal deficits in more than 4 decades, consistency in policies such as the pegging of the currency to the US dollar, free trade regime, low taxes, lax regulations on starting/operating businesses, liberal and plural socio-political system
- Assessing the weight and importance of each factor category
 - Based on existing literature and statistical findings, assess how important each of these factors were in shaping Hong Kong's success
- Conclusion
 - After presenting all historical and statistical data, and assessing their significance within the broader picture, refer to the initial thesis and present a factually-backed conclusion. Does my initial argument hold after all the evidence presented?

Monthly schedule (listing duties such as data collection, analysis, writing)

September

- Study the most prominent literature on the topic, including journal articles and textbooks.
- Write a concise analysis of the existing literature by discussing all the major strands in academia with regards to the topic. This will not be just a synopsis of pre-existing work but a critical assessment of it.
- Write historical background

October

- Find primary sources, especially statistical data, to prepare the economic factors section
- Write economic factors section
- Review literature on international relations and politics regarding the influence of communist China and the West
- Write international factors section
- Interview at least one local scholar specialized in the public policies taken by the Hong Kong Government
- Formulate a clear and specific thesis based on all the research so far

November

- Review literature on institutional factors, and
- Write institutional factors section
- Analyze all previously-written sections, and write a full assessment of their significance within the broad research question of defining what was key in shaping Hong Kong's success
- Analyze whether the thesis formulated in the previous month holds after analyzing all the evidence found in the last 90 days
- Write conclusion

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Signatures

	Name	Date and place	Signature
Supervising Faculty member	:		
Board of Examiners	:		