

**AN UNIMAGINABLE SCENARIO FOR HONGKONG ?  
OR IS IT ?**

Imagine Hongkong:

1. Salaries and wages have been cut by more than 60 percent from today's levels with the Government, planning to introduce more draconian measures in order to increase the levels of its coffers and, at the same time, to reduce its spending by, among other things, legislating new taxes as well as eliminating all but essential social benefits;
2. Unemployment levels have reached the point where everybody and his cat knows neighbours who are without a method to earn enough money even to put sufficient food on the table to feed the family;
3. The Hang Seng Index has dropped to its record low of 58.61 points, not seen since August 31, 1967. Tens of billions of dollars have been lost by investors who had purchased the scrip of what they thought, previously, were blue chips; they have little to no chance of even a partial recovery of their former wealth – because buyers of stocks and bonds are as plentiful as the wings on a pig;
4. The economic situation in the territory is disastrous: The majority of the total population have lost, completely, any possibility of hope for the future; and,
5. At any time, social unrest seems inevitable.

Is the above scenario possible in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC)? Few people could even imagine it.

But the above scenario is not a myth: Ask that man of Greece about his plight ... as he sleeps on the streets of Athens, the Capital City of this country that is the birthplace of democracy.

Ask that worker of Portugal about his financial situation, today, and it will, most likely, be a case of *déjà vu* as the worker points in the direction of Greece and, at the same time, turning his trouser pockets inside out in order to indicate that they are bereft of money.

Nobody would have thought that, with the birth of the euro on January 1, 1999 – the euro, being common currency of the 17 member states of **European Union (EU)** – today, 14 years later, the failure of many of the economies of eurozone could cause chaotic situations, around the world.

The euro is the second, largest reserve currency in the world, today, in addition to being the second, most-traded currency in the world, topped only by the dollar of The United States of America.

It is pegged to many of the currencies of the African Continent, with more than 175 million people, worldwide, using the euro as the proffered medium of exchange.

But the euro, today, is in distress, to be sure.

Credit markets of Europe are, in many cases, splintered, with little immediate probability of being repaired because the splintering is of a chronic nature.

Funding in Europe is much too high for comfort, considering the weak economic growth – if any – of many of the EU members' economies; and, there is little light on that very distant horizon, too.

As most of the Greek unemployed would sadly state, austerity measures, taken by their successive governments, are not working to any great extent – and the government of today is planning even further austerity measures in order to satisfy the requirements of prospective lenders so that they will agree to extend even more emergency funding to meet the day-to-day expenses of running the country, that funding, coming from the European Central Bank and the International Monetary Fund.

Until the euro is seen, internationally, as a stable medium of exchange, welcomed as a convertible currency in a similar manner as the US dollar, will the situation change for the better in the 27-nations that comprise the EU.

The EU, today, has the power to make or to break many of the world's economies, either by ignorance or design. Of that, there can be no question.

The EU has a combined human population of some 500 million people, representing about 7.30 percent of the total population of this planet.

In 2011, it generated about \$US17.60 trillion in terms of **Gross Domestic Product (GDP)**. That massive amount of money represented about 20 percent of the GDP of the world.

So important was trade between the PRC and the EU that, when European business started to dry up, the Government of the PRC had to turn its attention to emphasising the importance of consumer spending on the home front.

A quick look at the many numbers of factories that stand idle in the south of the PRC, especially in Shenzhen, tells the story of how the chaos in the EU has impacted on the second-largest economy of the world.

### **The Solution**

There is no quick fix to the problems that confront the EU, today.

Only one thing is absolutely certain, however, regardless of suggestions to the contrary: The euro is not about to be placed in the many coffins of the mediums of exchange that one reads about only in history books of financial failures of thousands of years ago.

Governments of the member states of the EU that employ – or are forced to employ by entities of the EU and/or others – austerity programmes that are little more than stop-gap measures, aimed at trying to balance nations' books, somewhere down the line, will come to the realisation that they can only go so far and, then, if they attempt to proceed just one step further, the result is likely to be violent social unrest, not seen for many a decade, with rampaging citizens, running through the streets of capital cities, setting fires, looting and killing.

One would have to be a moron not to realise that such actions are meant to send a strong message to those in power: *'We, the people, have had enough!'*

Many of the financial markets of Europe are falling apart, little by little, but look at what took place last week with the impasse over the Italian political situation.

The big question for Italians is, simply put: Who will head the next government of this country, tomorrow?

Italy is the eighth-largest economy of the world and the fourth-largest economy of Europe in terms of nominal GDP. Needless to state, it is a very important economy as far as the EU is concerned.

It has been suggested in a number of quarters that the financial markets of the EU are, today, fragmented to the point that they cannot be repaired, easily; and, self-repair is nothing but a pipedream.

Weak consumer demand will remain in the EU as long as the majority of the populations of member states has little money to spend.

The expansion of any economy demands growth on the home front, but more important than economic growth is the strong belief in the majority of the population that there is that '*real*' probability to be able to create a life, far better than the one of today.

Without a definitive goal in sight, there is little hope for any right-minded member of a community or society and, eventually, the time will come when the quality life will be viewed as deteriorating to the level when it is seen as being completely hopeless.

If it comes to that point, then chaos will definitely ensue.

Pointing to Athens and its many workers, sleeping on park benches and beside historic waterfalls, is proof positive of this assertion.

Without growth within an economy, clearly, there can be no hope; and, the result, inevitably, will be translated into social unrest, leading to chaotic situations, resulting in a complete breakdown of law and order.

The political situation in South Africa, during the apartheid period in its history, apartheid, being imposed regimes by force of arms in a political belief in racial segregation and political, economic discrimination against non-European groups, proved to be an abject failure and, eventually, it had to be voided in favour of the democratic situation of today's South Africa.

The South African demigods of yesteryear have been buried along with their fascist, political beliefs, but, luckily for the majority of the population of the country, they will never forget those hated regimes in the days when the black man could be hunted, legally, by the white man in the same way that a hunter seeks the death of wild animals – for the very sport of it!

Those native South Africans of yesteryear had no wealth and no goals of any nature in sight and so, when the opportunity was presented to them to be able to fight for their rights with the faint, flickering light of the proverbial pot of gold, waiting for them at the end of the rainbow, that crock of gold, being the creation of a new country, ousting the then fascist one, where there would be freedom and justice for all, they quickly joined the ranks those, demanding change.

Many of those brave people were killed by the heavily armed South African police and army, but today, the winners are those who would not surrender.

Thus, it is clear that the situation in the EU, today, is not just a financial one, but a political one.

The leaders of the EU, many of whom, being sadly destitute of much in the way of a deep, abiding knowledge, are intent on imposing their beliefs on member states' governments, regardless of whether or not those governments are willing to embrace those beliefs or whether or not the peoples of those states are willing to accept them, in part or in whole.

The very idea that the factors that made a financial powerhouse of one economy has the ability, willy nilly, to be exported to another, weaker economy is false because, inter alia, it might not take into consideration the traditions and the political and religious beliefs, as well as the hopes, dreams and aspirations of the

majority of the population of the targeted economy to which the export nation desires to impose its will.

Such a concept of a strong economy, imposing its will on a weak economy, is a non-starter.

One cannot force a Moslem to eat pork or a Brahman to eat beef.

The mistakes of past years, made by the leaders of the EU in trying to clean up their various faux pas, have inflicted grave economic costs on the world's economies ... and continue so to do.

One recalls the street violence of Germany, only a few short years ago, when many citizens of the country blamed Chancellor Angela Merkel for using a goodly portion of the country's reserves in order to assist in the bailout of bankrupt Greece.

**TARGET** () likened the actions of Chancellor Merkel to the rich man who, in trying to help to feed his poor relatives, in so doing, it depleted much of the rich man's savings so that, had he continued with his charitable work, he would have been in the same boat as the very people whom he sought to assist.

At the time of those street disturbances in many major cities of Germany, from the Capital City of Berlin, to Frankfurt and to Hamburg, it was revealed that many Germans made claims, along the lines:

*'Why should we (Germans) have to give money to those lazy Greeks who don't like to work?'*

An only likely solution to the present EU crisis is the restoration of international confidence in the established monetary union.

And, this is not an easy task. In fact, it is a very tough nut to crack.

In this medium's opinion, this can only come to pass if the combined powers-that-be can get to grips with the many problems, facing this important part of the world, and, then, to have a thorough understanding of the goals and aspirations of the populations of the 17 economies, known as the eurozone.

Having achieved this, then, the next step must, naturally, be trying to meet those goals and aspirations of the populations of the various member states and advertising, for all to see and understand, as to the likely modus operandi to be followed as well as a timeline for specific goals.

It is assumed that the problems of each member state of the EU will be analysed, comprehensively, objectively and impartially, and, in the final equation to be employed in order to map out a strategy for ameliorating the present ticklish situations, the uniqueness of the peoples of each member state will be considered in depth so as to prevent any catastrophe, due to ignorance of traditions and/or political and/or religious beliefs.

So, at the root of the problems that confronts the EU, today, is that many of its leaders lack a deep knowledge of philosophy, defined by this medium as the search for a general understanding of values and reality.

These leaders may, in their own right, understand something of macroeconomics, microeconomics and finance, but it is very clear that they know little of what salt of the earth, really covet – sadly.

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