

Comments to the Commission on Strategic Development, Executive Committee

By Dr. Edgar Cheng

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I. Eleventh Five Year Program and Hong Kong's role

Thoughts and questions on implications of China's current development strategy for Hong Kong

Economic globalization

- Hong Kong already has strong financial and regulatory institutions, some of which establish regional best practice, but how can these be better? Hong Kong's role within the larger national economy is not just to maintain its competitiveness but to build upon it. Our financial institutions in particular must be not just best in China but best of class. What is our priority list for building regulatory and institutional competitiveness?
- Hong Kong is so advanced in terms of regional economic integration that its role may be to take leadership in looking at managing social and environmental risks of economic integration at the sub-regional level, especially in the Pearl River Delta. In order to be sustainable, economic growth must take account of such risks. The PRD could be a common laboratory for mainland and Hong Kong policy makers to develop strategies and institutions for sustainability. These may then become models for other regional institutions, such as APEC, ASEAN Plus Three or the new East Asian Summit process.
- Hong Kong is a model of liberal trade and investment rules, but how can we make them better, under the umbrella of CEPA or another process? For example, while CEPA improved access for Hong Kong enterprises and professionals in the mainland, how can we improve access to Hong Kong for mainland enterprises and professionals under a more open population policy?

Human resources development

- How can Hong Kong use its strengths in education and health services to upgrade human resources in its hinterland in Guangdong Province? Are there ways in which Hong Kong could provide support through education to underprivileged parts of Guangdong and adjacent provinces, where Hong Kong investment and employment are concentrated? Can Hong Kong take a pioneering role in the "development of a new mode of rural cooperative medical system"?

Knowledge development strategy

- Hong Kong is lagging in two areas -- means of fostering a creative economy, and internationalization of education. Both require strategic approaches that go beyond one-off grants to long range planning, targetted marketing, and funding for research and development as well as training for creative work ranging from industrial design to music and the arts. Incentive structures based on tax relief or other measures are needed to draw private sector funding into the universities and creative institutes.

Development of a creative economy and internationalization go together, both building on Hong Kong's strengths as an international city where openness and diversity are the norm.

Green development strategy

- As in its financial institutions, Hong Kong has significant strengths in terms of environmental management but must build on these to become best of class. As a service based economy, in some ways it is ahead of the game but there are broad areas including municipal waste management, energy efficiency and use of alternatives to fossil fuels where Hong Kong could be doing much more to set a national, regional and global standard.

- Because of its strengths as a financial center, Hong Kong has a distinct role to play in terms of developing a market for emissions trading and finance through the Clean Development Mechanism under the Kyoto Protocol.

Regional development strategy

- One area of potential focus for Hong Kong is the poor regions of Guangdong and Guangxi, through cooperation in education, health, and social services. A key concept for regional development is sustainability; growth that occurs in geographic niches is not sustainable unless it includes its hinterland.

II. Reflections on issues raised by the paper on "Opportunities and challenges for Hong Kong arising from the Mainland's development during the 'Eleventh Five-Year' period"

- In taking advantage of opportunities in the mainland, Hong Kong must not lose sight of the crucial importance of building its own competitiveness regionally and globally as well as nationally.
- While differences in political systems make cooperation and coordination difficult, one approach may be to focus on specific projects, such as pollution, or rural health provision in targetted areas
- Hong Kong will never be marginalized as long as it builds on its strengths of openness, tolerance and diversity. The task for the present and future is to build on these strengths to ensure that they are best of class. Hong Kong needs to be far more open to mainland talent, for example. Do our regulatory policies on equal opportunity do enough to assure mainlanders, women, the disabled and the elderly that they will be treated fairly on the job and off? Do we do enough to attract the best international talent to our universities and our workplaces? Where can we improve?

Issues for consideration

- Although China has designated Hong Kong as its center for international finance, trade and shipping under the 11th Five Year Plan, we should not lose sight of the role, meaning and duration of such plans. They are indicative in nature, and the timing is short. We must assume that roles will change and plan for those changes. Hong Kong's strength is its integration into the international system, and as it plans for structural change it must seek to maintain its competitive edge within the global economy
- Hong Kong should seek to redress any inequities in its policies towards mainland talent, in a context of policies to attract professional services, including financial services, and to improve its educational services. Whether or not Hong Kong becomes a hub for any of these will depend on a range of issues including quality of life, rule of law, and the environment. Supportive policies should aim at making Hong Kong best of class in all of these areas.
- While in some respect Hong Kong might need a mindset change, Hong Kong should have the confidence to build on its strengths. What is required is much better connective infrastructure within the region, as well as a reform in immigration and visa policies, in order to make communication and transport as easy and natural as between New York and New Jersey.

III. Reflections on the paper on "The Roles and Responsibilities of Hong Kong in our country's economic, social and political development"

Two broad problems

- "Hong Kong should not attempt to blindly exert its influence" in terms of humanities, ideology and institution building.
- Hong Kong should place greater influence on study of Chinese history and traditional culture.

Both points reflect thinking that Hong Kong is deficient within the mainland system, due to its colonial history and special administrative status. They condemn Hong Kong to play from a position of weakness, not strength, within the mainland system, when in fact Hong Kong's major contributions to China are its internationalism and the strength of its liberal institutions. These liberal institutions thrived despite the top down structure of colonial authority, and underline that such institutions do not inherently undermine an authoritarian political regime and may even serve to legitimize it.

Specific points

National integration

- Hong Kong does need to have more of a foundation in national feeling, because most of us were born to a colonial society, not to a nation. We have a lot of catch-up to do before we can take our nationalism for granted, as we would if we were citizens of Shanghai or New York
- Having said that, we should be mindful that Hong Kong has a historic role to play in convincing the international community and China's population, including Taiwan, that China is committed to the rule of law as well as tolerance and diversity. The Basic Law is the cornerstone and all Hong Kongers should be educated in it and be aware of its significance.

Peaceful diplomacy

- Hong Kong's success is the best "demonstration effect" to neighboring countries.
- If, by asking whether there is a need for a "new government department to be established to coordinate and implement external policies," the implication is that we should review existing institutions -- the TDC, ETO and InvestHK -- this is a good idea. These agencies play an important role and there may be ways to improve them.

Economic development

- Hong Kong must address the inequities and imbalances in its immigration policy that restrict the flow of mainland talent. Restrictive policies are obsolete
- While providing incentives for mainland companies to locate in Hong Kong, strengthen regulatory institutions to ensure credibility of Hong Kong as a platform for investors and others

Social harmony

- Over time, the mainland has come to realize that government and business alone will not be able to deal with social issues, and is coming to rely more on what has been coined in the West, the "third sector." Hong Kong, with its robust civil society, is in a good position to share its experience with the mainland

Cultural revival

- Hong Kong's role in cultural revival should be forward looking. While Hong Kong might have some catching up to do in traditional culture, it should also recognize that its strength is in its international connections, its legacy English language institutions, and southern Chinese cultural institutions based on the Cantonese language. We should be developing our contribution to the traditional arts in parallel with our unique and eclectic culture.
- What is "traditional Chinese culture"? Unlike Japanese culture, which has absorbed Western influences but has remained distinctively Japanese, Chinese culture over time has always absorbed from other cultures and civilizations. For example, a center for traditional Chinese medicine should be able to contribute to an evolving set of techniques and diagnostic tools, not simply replicate whatever is considered "traditional".

Political civilization

- Excellent idea to encourage exchanges at the administrative level, focusing on governance and concepts of public administration