

**Commission on Strategic Development
Executive Committee**

**An Overview of Hong Kong's Development,
Opportunities and Challenges,
Positioning and Vision**

(1) An overview of Hong Kong's development

- Current situations in the Mainland and abroad are generally conducive to Hong Kong's development, but there are challenges that should not be overlooked.
- Hong Kong has its strengths and weaknesses. Hong Kong's future development hinges on how best we can put our strengths into play.
- The general public have had greater confidence in the Central Government. Confidence in the Mainland, the future of Hong Kong and "One Country, Two Systems" is also growing.
- Disagreement over the future direction of Hong Kong is gradually narrowing.
- The economy has recovered and will maintain its vitality in the foreseeable future. We have learned to take account of the sustainability factors in our economic development.
- How to maintain the long-term competitiveness of Hong Kong has become a major issue of increasing concern.
- In moving towards a knowledge-based economy, Hong Kong still needs to continue to adjust and improve its economic structure.
- With closer economic integration between Hong Kong and the Mainland, the Greater Pearl River Delta and the Pan-Pearl River Delta will provide major platforms for cooperation between the two places.
- A "model of dual economy" which advocates the co-existence of high and low value-added economic activities is taking shape.

- The Government has made definite progress in improving governance and building a relationship with the public. The community is also satisfied with the prevailing political situation.
- However, there is a loss of balance between economic development and social, cultural and environmental development.
- Economic inequality is spreading. We have been troubled by the failure to distribute the fruits of economic growth in a reasonable manner.
- Conflicts between different social groups and arising from distribution of benefits are deepening.
- The middle class is increasingly polarized.
- Populism is on the rise. Many people hope that the Government could expand its role, especially in social welfare and public services. The needs and demands of the public are ever increasing.
- We have to promote “democratic development”, but this will always be a controversial and divisive issue.
- The participation of the general public and the elite in politics and decision-making is increasing.
- Environmental problems have arisen and will become an increasingly serious issue.

(2) Effect on Hong Kong brought about by changing international relationships, regional issues and developments in the Mainland

- Given economic globalization, trade liberalization and unlikelihood of a “world war”, we should have a peaceful environment for long-term development.
- On a peaceful rise, our country has become a key player on the world stage.
- Our country is enjoying rapid economic growth and is integrating with the global system at a fast pace.
- The relationships between our country and others are changing, especially those with the Southeast Asian countries, which should be given due attention.
- Regional economic cooperation and political conflicts are issues to be examined.

- Competition among provinces, cities and regions in the Mainland has intensified.
- There has been a change in the Mainland-Taiwan relationship.
- Overall, peace, development and multilateral cooperation will be the key tone in the next few years.

(3) Opportunities for Hong Kong

- Growth and vitality of the Mainland economy have brought about valuable opportunities for Hong Kong.
- The Central Government is determined to maintain Hong Kong's long-term prosperity and stability, and has given preferential treatment to Hong Kong.
- Hong Kong is situated at an advantageous location in the Asia-Pacific region. Apart from being the most thriving economy in the world, the region is most enthusiastic about developing regional common markets.
- Hong Kong has its own competitive edges: a clean and self-disciplined government, respect for the rule of law, upholding of free economy, free flow of capital, and well connected to all parts of the world. In addition, we have entrepreneurship and world-class professional services. All these are our strengths.

(4) Challenges for Hong Kong

- There is a decline in the overall competitiveness of Hong Kong. Preserving and lifting Hong Kong's competitiveness is the most important issue at stake.
- The status of Hong Kong in the opening and development of China has declined.
- The rise of major competitors poses immense threat to Hong Kong. There is growing competition with major cities and regions in the Mainland.
- Some factors have undermined the competitiveness of Hong Kong, for instance, relatively high operating cost; inadequate proficiency in English and Putonghua; government regulation not as streamlined as those in the most advanced cities; tendency on the part of the Legislative Council to expand and politicize its oversight of the

Executive, thereby slowing down decision-making and resulting in policies not catching up with development needs; lack of talent, especially those who can help the development into a knowledge-based economy.

- We may lack the scientific knowledge and technological infrastructure required for further economic advancement.
- The gap between the rich and the poor and social differentiation, particularly disparity between high and low income groups, have increased the potential risk of social conflicts.
- Hong Kong is facing the threat of an ageing population.
- Huge expenses on social welfare, public services and the public sector have stretched public finance to its limits.
- The natural environment is deteriorating, with air pollution particularly serious.
- The community in general does not have adequate knowledge of national affairs, and this may have negative effects on the future development of Hong Kong.

(5) Positioning and Vision

- Asia's world city with vibrant economy, social harmony and enlightened governance.
- A major services centre in Asia.
- A leading services centre of our country and the link between our country and the rest of the world.
- A knowledge-based economy featuring high value-added services.
- The most preferred location for business and living in Asia.