

**Commission on Strategic Development
Executive Committee**

**Roles and Responsibilities of Hong Kong in Our Country's
Economic, Social and Political Development**

Purpose

This paper gives an account of the study and analysis conducted by the Central Policy Unit on the above issue for Members' discussion and comments.

Preamble

2. The prosperity and strength of a country are manifested in the material and spiritual aspects of its civilization. However, whether the country's culture can continue to steer the course of its development¹ and whether the country has the capability to accept and meet challenges are also of importance². Today, if China is to become a prosperous, strong and influential country on the world stage, it must rise to the impact of modernization and furthermore possess the ability to resolve internal and external problems that have emerged in recent years. The above in brief covers six areas:

- national integration
- peaceful diplomacy
- economic development
- social harmony
- cultural revival

¹ Raised by Mou Zongsan (1909-1995), the leading contemporary New Confucian, in "*The Continuity of the Chinese Culture*", an essay collected in his work "*Times and Reflections*".

² A major conclusion of Arnold Joseph Toynbee (1889-1975) in his work "*A Study of History*".

- political civilization

Hong Kong's Roles in Our Country's Development

3. Hong Kong has three roles in our country's development:

- **Historical role:** The reunification of Hong Kong has great significance to the peaceful unification of our country. Hong Kong has a responsibility to assist in the integration of our country.
- **Modernizing role:** Unaffected by war or other turmoil, Hong Kong has enjoyed steady and smooth growth for over half a century. Also, its proximity to the West has allowed it to keep in close touch with modern western civilization. It is therefore more advanced than the Mainland in terms of economic, legal and infrastructural developments. For this reason, Hong Kong is destined to play the most important part in supporting our country's modernization.
- **Reunifying role:** Since reunification, the robust development of the Mainland has promoted prosperity in Hong Kong. In view of the rapid growth in trade as well as people and cargo flows between Hong Kong and the Mainland, it is necessary that the two places should coordinate their respective development planning, especially in the area of cross-boundary traffic.

National Integration

4. **Preamble:** One of the major goals of the struggle of the Chinese people over the past century was to strive for national independence, autonomy and territorial integrity. By 1949, Hong Kong, Macao and Taiwan were territories yet to be reunified. Recovering these three territories signifies the struggle of the Chinese people. Hong Kong therefore plays a key role in this respect. Hong Kong has contributed much by providing talent, capital and technology to meet the huge development needs of our country. Our country could obtain from elsewhere or produce by itself talent, capital and technology, but when it comes to defending national independence, autonomy and territorial integrity, Hong Kong plays a unique and irreplaceable role.

5. **Hong Kong's Responsibilities:** In times of conflicting interests and ideologies in the international community, the Central Government promulgated the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China ("Basic Law") restricting its power to authorize Hong Kong to exercise a high degree of autonomy in conducting its internal affairs. This is based on the strong belief that all Chinese nationals will strive for common ground while accommodating differences whole-heartedly as one group. Being in such an important and irreplaceable position, the Hong Kong SAR Government and every Hong Kong citizen should have the following responsibilities: (1) defend the independent sovereignty and territorial integrity of our country, safeguarding national security and dignity; (2) strictly adhere to the relevant provisions of the Constitution of the People's Republic of China and the Basic Law, and abiding by their spirit and objectives; (3) comply with the constitutional power conferred upon the National People's Congress and the Central People's Government in their role as organs of state sovereignty while practising "a high degree of autonomy" and "Hong Kong people governing Hong Kong". Furthermore, we could promote the understanding and cooperation between Hong Kong and the Central Authorities as well as various Mainland provinces/municipalities, and foster better and closer relationship among fellow countrymen.

6. **Further things that Hong Kong could do:** Although Hong Kong has reunified with the motherland, long separation and ideological differences have prevented many Hong Kong people from fully understanding our country. To ensure that Hong Kong people are totally reunited with the motherland and to help safeguard national unity, we may consider further actions in the following four areas :

- Increase public understanding of the motherland and promote a sense of national identity through education and publicity. Measures should be implemented to strengthen the Chinese History curriculum. Chinese culture, classical works and contemporary national education should not be neglected either.
- To have a sense of national identity include identifying oneself with the people, land and sovereignty of the country and the constitutional authority of the national government, and having an understanding of the major guiding ideology of

the country. Some Hong Kong people are not familiar with the socialist concepts practised in the Mainland or have prejudice against the congress system under the leadership of the Communist Party. We should try to rectify lopsided perceptions, so as not to undermine the implementation of the “One Country” principle.

- Young people are the future of the country. We could explore ways to align the mission of the Youth Commission with the goal of promoting a sense of national identity among young people, so that they may identify their pursuits with the well-being of the country and fellow countrymen at heart.
- Regarding cross-straits relations, Hong Kong could adopt a more positive and proactive approach to help increase the communication channels between both sides.

Peaceful Diplomacy

7. **Preamble:** To realize a peaceful rise, our country is seeking a path untrodden by other great nations in history. Given the special characteristics of the present international environment and global situation, our country’s diplomacy in recent years have the following features: (1) shifting from responsive diplomacy to proactive diplomacy; (2) gaining fruitful results in economic diplomacy; (3) enhancing neighbourly relations under the policy of “fostering an amicable, peaceful and prosperous neighbourhood”; making substantial progress in resolving territorial disputes with Russia, Vietnam and India while actively expanding economic cooperation with neighbouring countries; (4) advocating multilateralism and practising multilateral diplomacy. How can our country integrate into the international community while upholding independence and autonomy? How can it maintain peace and continue to rise without yielding to other countries when its national security and core interests are being threatened? These are all very important issues.

8. **Hong Kong’s Role:** Hong Kong can act as an ambassador to promote our country’s peaceful diplomacy. (1) Our country’s relationship with neighbouring countries has an important bearing on its peaceful rise. Hong Kong can assist in promoting mutual understanding and trust among countries in the region. As a node of network for the Chinese in Southeast Asia, Hong Kong is particularly well-placed to promote contacts between

our country and the ASEAN countries. (2) With the trend of globalization, developing countries have high hopes in our country, hoping to embark on more joint development projects with our country. Hong Kong may make use of the international conferences it hosts to demonstrate the mutually beneficial, equitable and cooperative diplomacy of our country to the developing countries. (3) The relationships with the United States and Japan remain one of the key areas of our country's diplomacy. With long-standing contacts with the United States and Japan, Hong Kong could help broaden the scope of Sino-US and Sino-Japanese exchanges, to enhance mutual understanding.

9. **Issues that may be further considered:**

- What kind of long-term and proactive strategy should Hong Kong adopt to maintain its status as Asia's world city? What is the role of the Government under this strategy? Is there a need for a new government department to be established to coordinate and implement external policies?
- The Ministerial Conference of the World Trade Organization has just been smoothly held in Hong Kong. In future, if Hong Kong is to host other international conferences / activities, how can we do better, especially in upholding the image of our country when engaging the developing countries and the neighbouring countries?

Economic Development

10. **Preamble:** The greatest contribution from Hong Kong towards our country's development should be the facilitation of the latter's modernization and economic progress. This includes the supply of capital, technology, talent, management expertise, market-oriented services, and assistance in building the necessary legal systems.

11. **Hong Kong's Role:** Hong Kong can participate in our country's economic development by utilizing international resources. Hong Kong can play the following roles: (1) Capital provider – Hong Kong is the most important source of foreign capital for the Mainland. As at the end of September 2005, investment in the Mainland by Hong Kong businessmen amounted to US\$ 254 billion in real terms, accounting for about 42% of the total foreign capital actually utilized. Until now, Hong

Kong businessmen still rank first in investment in the Mainland. Hong Kong is also the only international financial city in the country and a fund-raising centre for enterprises through listing. As at the end of October 2005, a total of 322 Mainland enterprises have raised funds of more than HK\$1,000 billion in the Hong Kong stock market. Mainland enterprises now account for about 30% of the total number of companies listed in Hong Kong, or 38% of the total market capitalization in Hong Kong. (2) Intermediary for international trade – With its advantages as an international trade, financial and shipping centre, Hong Kong has long been playing the role of the Mainland's largest entrepot, serving as the Mainland's key channel to the global market, making significant contributions to the Mainland's external trade. Over US\$100 billion worth of goods from the Mainland are marketed worldwide via Hong Kong each year, and at the same time huge volumes of goods are imported through Hong Kong to the Mainland. The Mainland continues to enjoy the greatest trade surplus against Hong Kong, which is the country's most important and reliable source of spot exchange income. (3) Facilitator in institutions building – With its huge investment in the Mainland, Hong Kong has not only helped the Mainland economy take off but also provided essential support to the building of a market system in the Mainland by introducing modern corporate structures and management systems. Following the implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement, tertiary industries in Hong Kong are given access into the Mainland, and will bring in more advanced technologies and management experience.

12. Further things that Hong Kong could do:

- Play an active role to assist the Mainland in building a well-off society on all fronts. We could explore how Hong Kong's strengths, such as commercial acumen, flexible financial system, sound legal system, free and open policies, as well as our international flavour, may be put into full play to provide better services to the booming Mainland economy and greater support for the modernization of the Mainland. In more specific terms, encouragement may be given to promote the flow of capital, technology and talent from Hong Kong to the high value-added industries in the Mainland such as the legal, accounting and banking sectors, in order to expedite the country's rise. Flows of capital, technology and talent from Hong Kong to the rural villages and the

northwestern region where development is much needed may also be encouraged, to help build a well-off society.

- Strive to become one of the services centres of the Chinese economy, thereby strengthening our status as a major international services centre.
- Enhance the status and role of Hong Kong in the opening up of the Mainland to the world. With the impending expiry of the transition period of China's accession to the World Trade Organization, the Mainland is going to open up to the world and comply with international standards in more areas. Hong Kong is an excellent testing ground in this new round of opening up. Consideration may be given to using Hong Kong as a testing ground for the Mainland's financial liberalization and for the setting up an off-shore centre for Renminbi transactions. Activities that cannot be carried out in Mainland cities for the time being may be considered for trial in Hong Kong, such as developing a Renminbi derivatives market. In addition, further consideration should be given to how best Hong Kong can assist the Mainland to further develop external economic and trade cooperation, including increasing exports, bringing in capital, building brand names, and facilitating integration with international markets.
- Develop Hong Kong into the headquarters of Chinese enterprises. To be the services hub of China, Hong Kong has to develop in the long run a headquarters economy to become home to the head offices and operations centres of Mainland enterprises. The existing constraints on capital flow, areas of investment, and movement of people have made it difficult for Mainland enterprises to enter Hong Kong freely. We should, taking account of the prevailing conditions, examine ways to give full play to our strengths with a view to attracting Mainland enterprises to Hong Kong, and to overcome the barriers against Mainland enterprises, especially private enterprises, coming to invest and develop their businesses in Hong Kong.

- Enhance cooperation in techno-science and human resources developments. In the coming years, the Mainland economy will strive for, among other important goals, a new mode to achieve economic growth by enhancing capability in self-innovation. To achieve this, the Mainland will have to make breakthroughs in techno-science and human resources developments. To service the Mainland economy, Hong Kong has to follow closely the Mainland's development direction and meet its demands. As such, we should consider how to enhance cooperation in these areas, and upgrade our own research and development capabilities as well as our manufacturing industries in Hong Kong and the PRD.

Social Harmony

13. **Preamble:** More than two decades of rapid development has built up quite a number of domestic problems for our country. These include a widening wealth gap, conflicts between the government and the people, environmental damage, shortage of fresh water, employment difficulties, high medical costs, and frequent occurrence of industrial safety and food hygiene incidents, all making the reform of the country more complicated and arduous. Apart from these, non-traditional security factors in the context of globalization are also major hindrances, for example, financial turmoil, terrorist activities, spread of transnational diseases, transnational environmental damage, energy crisis, etc. All these are elements which may create social conflicts and unrest. At the end of 2004, President Hu Jintao called for the building of a “harmonious society” that would feature, as a goal, “democracy, the rule of law, equality, justice, sincerity, amity, vitality, stability, order and harmonious coexistence between man and nature”³. In short, the aim is to eliminate all the above elements which may give rise to social unrest.

³ The Communist Party of China (CPC) set the strategic goal of “building a harmonious society” at the Fourth Plenum of the 16th CPC Central Committee in September 2004. The quotation “democracy, the rule of law...”are remarks made by Hu Jintao at the opening of a training course sponsored by the Party School of the CPC Central Committee for provincial and ministerial-level leaders in early 2005. The intention was to illustrate his idea of a “harmonious society”. In his words, “To fully realize democracy and the rule of law, socialist democracy must be carried forward. The basic principles of ruling the country by law must be implemented and all positive elements widely mobilized. To realize equality and justice, various social interests should be well reconciled. Contradictions among the

14. **Hong Kong's Role:** Many of the Mainland's social problems have to be resolved by the Mainland authorities and people themselves. There are not many active roles Hong Kong can play in this respect. However, with the experience accumulated in handling various social issues, Hong Kong may have a role in sharing its experience with the Mainland and in offering assistance.

15. **Further things that Hong Kong could do:**

- In the face of non-traditional security challenges, a sound system, an efficient administration, and a smooth and transparent flow of information may ensure peace at times of crisis. In dealing with non-traditional security challenges, Hong Kong may play a more active part by sharing its experience and effective public policies with the Mainland and the neighbouring countries.
- Our country is attempting to resolve the above social problems through institutions building. Since Hong Kong has built various institutions when addressing social problems in the past, we can review our experience in the development and implementation of various institutions in

people and other social conflicts must be properly handled, and social equality and justice practically actualized and maintained. To have sincerity and amity, all members of society should help each other, value honesty and treat others equally and amicably. To have vitality, all creative aspirations that are helpful to social progress should be respected, creative activities supported, creative talent fully utilized and creative output acknowledged. To have stability and order, the social systems should be complete and sound, the management of social affairs properly done and social order maintained. People should enjoy their work and life, and the society should remain stable and unified. To have harmonious coexistence between man and nature, production and development should proceed while maintaining the ecosystem in a fine state, and people should live a well-off life. These basic features are inter-related and interact with each other. They have to be fully grasped and epitomized in the course of building a well-off society on all fronts". Accordingly, in a blue paper on Chinese society in 2005 titled "Building a Harmonious Society: China under the Guidance of the Concept of Scientific Development" published by the Chinese Academy of Social Sciences at the end of 2004, an overall objective was put forward to, inter alia, broaden the middle class of the society, reduce the low-income and poor population, rationalize income distribution, seriously combat corruption and illicit wealth, strengthen the system of transfer payments from the Central Government, increase employment as an important goal of development, and strive to improve social and labour relations.

Hong Kong and examine their applicability to the Mainland, for the Mainland authorities' reference. For instance, Hong Kong's anti-corruption work has been very successful and served as a model to many countries. Hong Kong can help by training more Mainland officials to enforce anti-corruption laws and sharing our experience with them in the development of relevant systems.

- The building of a harmonious society hinges on the moral strength of the people. There are a lot of charitable and voluntary organizations, religious bodies, community organizations as well as private enterprises in Hong Kong that have been engaging in community services for years, with remarkable achievements. Many of them have won the recognition and trust of the authorities and people in the Mainland. Such being the case, dedicated individuals, enterprises and organizations in Hong Kong may be encouraged to continue to actively take part in various types of voluntary work in the Mainland.

Cultural Revival

16. **Preamble:** The most critical cultural issue facing our country since 1840 has not been about how to assimilate Western culture but rather the decline of our own traditional culture. As Professor Mou Zongsan said, if the culture of a country can no longer steer the country's way forward and traditional culture merely exists as a form of art, the country has in fact come to its end. At the seventh group study session of the Political Bureau of the CPC Central Committee in August 2002, President Hu Jintao stressed that "we should acquire a thorough understanding of the strategic significance of strengthening cultural undertakings from the perspectives of building a well-off society and achieving the great revival of the Chinese people..... we should energetically carry forward the fine traditions of Chinese culture and the noble spirit of the Chinese people, so that the fine culture of the Chinese people will become the spiritual strength driving the steady progress of the different ethnic groups of our country under the new historical conditions"⁴. The press communiqué

⁴ XINHUANET.com, 12 August 2002.

released after the CPC-Kuomintang meeting between Hu Jintao and Lien Chan on 29 April 2005 also stated the objective of “making concerted efforts to promote the Chinese culture”. It is evident that the Central Government has realized that promoting cultural heritage is fundamental to the revival of the Chinese people and that Chinese culture is the essential strength to hold the Chinese people together.

17. **Hong Kong’s Role:** (1) In the 1950’s and 60’s, Hong Kong became a sanctuary for Mainland scholars, philosophers and revered religious figures because of its liberal atmosphere. Confucianism, Buddhism and Taoism flourished. The ideological legacies of these philosophers and religious figures can still be found in universities, monasteries, temples and bookstores in Hong Kong. (2) Chinese culture is deeply rooted in our daily living, family values and religious beliefs. The general public are immersed in it without noticing. In sum, Hong Kong has preserved the traditional culture in academic pursuits and daily living, and can pass it on. Through ideological exchanges, humanistic contacts, religious undertakings and social visits of relatives and friends between Hong Kong and the Mainland, Hong Kong can assist in the revival of the traditional Chinese culture throughout the country.

18. **Further things that Hong Kong could do:** The Chinese culture preserved in Hong Kong is on the one hand the legacies passed down by philosophers several decades ago and on the other hand the life-style that is maintained subconsciously. Hong Kong is a melting pot for Chinese and Western cultures. Most Hong Kong people have neither a systematic knowledge nor a deep understanding of traditional Chinese culture. As it is, they are not up to the task of passing on the heritage. Hong Kong can consider:

- how to incorporate studies of Chinese history, culture, classics and literature into basic education (for primary and secondary schools);
- how to strengthen humanity studies (especially Chinese philosophy and Confucianism) as an effort to revive traditional Chinese studies at the universities; how to educate university students on Chinese traditions so that they can reflect on national issues from the perspective of Chinese history and culture;

- whether it can become the platform for exploring the future of Chinese culture for the Chinese communities in the Mainland, Taiwan, Hong Kong, and other places around the world.

Political Civilization

19. **Preamble:** After nearly a century's exploration for a suitable political system, our country has now settled on the system of "socialist democracy with Chinese characteristics", which is considered more befitting the conditions of the country. The system features the people's congress, democratic centralism, Communist leadership and political consultation with the people. The White Paper on the Building of Political Democracy in China published by the State Council on 19 October 2005 states that "because situations differ from one country to another, the paths the people of different countries take to attain and develop democracy are different. Based on the country's own conditions, the CPC and the Chinese people first engaged in a New Democratic Revolution, and after New China was founded in 1949, and proceeding from the actual situation of the primary stage of socialism, began to practise socialist democracy with its own characteristics". Clearly, our country has a firm view that modern Western political systems should not be adopted blindly and holds firmly that the Chinese people should establish a political system based on their own civilization and compatible to the country's conditions⁵.

⁵ The White Paper on the Building of Political Democracy in China reiterates that "the political system a country adopts and the road to democracy it takes must be in conformity with its conditions. The socialist political democracy of China is rooted in the vast land of fertile soil on which the Chinese people has depended for their subsistence and development over thousands of years. It grew out of the great endeavour of the CPC and the Chinese people to strive for national independence, liberation of the people and prosperity of the country. It is the apt choice suited to China's conditions and meeting the requirements of social progress. China is a civilization of 5 000 years. Boasting a splendid civilization equally renowned as those of ancient Egypt, India and Babylon, China has contributed greatly to the development and progress of mankind. The Chinese people are industrious, courageous and full of wisdom. The Chinese nation's long, uninterrupted history and rich cultural heritage are well recognized throughout the world. Through painstaking exploration and hard struggle, the Chinese people finally came to realize that mechanically copying the western bourgeois political system and applying it to their country would lead them nowhere. To accomplish the historic task of saving the country and triumphing over imperialism and feudalism, the Chinese people need new thoughts and new theories to open up a new road for the Chinese revolution and establish a totally new political system".

20. **Hong Kong's Role:** Political civilization can be interpreted from two perspectives, namely a “political” perspective which is related to the form of government and the appropriation of political power, and a “governance” perspective which is related to public administration, policy formulation, administrative structure, etc. Regarding appropriation of power, a country should adopt a form of government and appropriate power in accordance with its own system based on culture and conditions. Since Hong Kong has basically adopted a political system based on capitalism and suitable to its own environment, there are few roles Hong Kong can play vis-à-vis the Mainland at the “political” level. Regarding “governance”, Hong Kong has inherited the British bureaucratic institution with a well-established administrative system. We have a world-renowned efficient and clean government and a rigorous civil service examination system. Officials at all levels implement policies according to the law, without political affiliation or preference, and safeguard public interests. Such practices are useful references for the Mainland.

21. **Further things that Hong Kong could do:**

- We should help Hong Kong people obtain a better understanding of the history, civilization and conditions of our country, so that they may contemplate its institutional development with due respect to its history, civilization and conditions.
- Consideration should be given to identifying good practices in Hong Kong's administrative system that are applicable to the Mainland for the reference of the Mainland authorities, and help train more Mainland officials on the concepts and rules of modern public administration.
- Further exchanges between our Principal Officials, administrative officers and civil servants at other ranks and their counterparts in the Mainland should be promoted, so that they can learn from each other for mutual enhancement.

Conclusion

22. Summing up the above analysis of the roles and responsibilities of Hong Kong in the process of our country's development, there seem to

be two basic conclusions: (1) In the areas of science, technology and material resources, Hong Kong can perform a number of roles and has all along been making contributions; however, in the areas of humanities, ideology and institutions building, Hong Kong's experience may not necessarily be applicable to the Mainland. For this reason, there needs to be a process of understanding each other. Hong Kong should not attempt to blindly exert its influence on the Mainland according to its own beliefs and practices. (2) The political, legal and social systems of a country that are developed based on its own culture will best suit the conditions of the country. Therefore, it is those who understand and love the history and traditional culture of their own country that will really contribute to the institutional and cultural development of the country. To enable Hong Kong to play a more important role in our country's development in future, we should place greater emphasis on education on Chinese history, national conditions and traditional culture, in order to lay an appropriate foundation for participating in the development of the country.

Advice Sought

23. Members are invited to discuss and comment on the analysis and proposals set out in this paper.

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