

Commission on Strategic Development

Executive Committee

Balanced and Sustainable Development on All Fronts

(Translation)

I. Purpose

This paper gives a brief account on the recent efforts and experience of the international community, the Mainland and Hong Kong in achieving a balanced and sustainable development and sets out for Members' consideration some issues which may worth exploring in promoting a balanced and sustainable development for Hong Kong.

II. The concept of balanced and sustainable development

2. The advancement in science and technology over the past two to three decades have made remarkable achievements in many aspects of human development. These include a decline in infant mortality rate, an increase in the number of children receiving education, a longer life expectancy and a reduction in extreme poverty. Overall, people living in developing countries are healthier than before. They receive better education and are less poverty-stricken. However, these achievements should not be overstated. Although we have accumulated enormous wealth globally, there are still more than one billion people living in extreme poverty and are exposed to various forms of inequalities. Also, our ecological environment and resources are deteriorating and depleting at an alarming speed. In other words, the existing mode of development can hardly sustain for long. It is against this backdrop that the concept of balanced and sustainable development is put forth in an attempt to review and reflect on the mode of "development" previously adopted.

3. In recent years, the concerns about the ecological environment have led people to reflect on the concept of "development". With the scientific, technological and research advancement in the mid-1980s, especially the

advancement and progress in atmospheric science, environmental science and toxicology, more and more people have come to realise the threats posed by the ozone layer depletion, greenhouse effect and toxic wastes in our living environment resulted from rapid economic development. In December 1983, the United Nations General Assembly set up the World Commission on Environment and Development with a view to arousing the global concern about the ecological environment and tackling global environment issues. In its report “Our Common Future” released in 1987, the following definition of “sustainable development” was put forth, which is widely used today:

“...development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

4. Since the 1990s, the focus of the “sustainability” of the ecological environment has gradually shifted to the social and political dimensions, i.e. the discussion on “balanced development”. Although it is widely recognised that the betterment of mankind should theoretically be the object of development, and that economic growth should only be a means, in reality the means often becomes the end, and in many cases, undue emphasis has been placed on economic growth. The varied and diversified needs of society are often simplified as the pursuit of certain economic indicators. The economic growth in the past two decades or so has not only resulted in significant damage and waste of environmental resources, but also led to a rise in unemployment rate and a widening wealth gap. Inequality and poverty caused by factors such as race, gender, place of birth and family background still exist despite the rapid economic development, and such issues will perpetuate from generation to generation.

5. Although there is no universally accepted definition of “balanced development”, according to past experience, it can be interpreted as achieving a balance between the economic, social, political and environmental development. As the common pursuit of mankind, “balanced development” can also be interpreted as a development which is people-oriented and supports the continued enhancement of all-round capabilities and quality of people.

III. International and Mainland experience

International experience

6. Since the 1990s, international efforts to advocate a balanced and sustainable development have been gathering momentum. In 1990, the

United Nations Development Programme published for the first time the global “Human Development Report”. Stressing that the objective of development is to expand human capabilities, the Report constructs the Human Development Index - a composite index that measures a country’s condition and progress of human development in three basic dimensions, namely a long and healthy life, knowledge and a decent standard of living.

7. In June 1992, the United Nations Earth Summit held in Rio de Janeiro, Brazil endorsed major documents like the “Rio Declaration on Environment and Development” and “Agenda 21”. The Summit presented a new global thinking on sustainable development. As a landmark document in the promotion of sustainable development by the international community, “Agenda 21” gave a balanced and comprehensive account of environment and development issues, and put forth a comprehensive set of principles on sustainable development efforts and policies.

8. To expedite the implementation of “Agenda 21”, the United Nations organised the World Summit on Sustainable Development in Johannesburg, South Africa in August 2002. The Summit reaffirmed the various agreements and targets reached in major conventions held by the United Nations since 1992, and endorsed the “Johannesburg Declaration on Sustainable Development” and the “Plan of Implementation”. It is worth noting that the Summit showed that the international community had gained a better understanding of sustainable development which was primarily presented in the following three aspects: first, a balance between economic development, social development and nature conservation must be ensured, and such a balance is the premise as well as a major element of sustainable development; second, problems encountered in the process of sustainable development must be tackled at source, i.e. to reduce poverty and eliminate various forms of inequality; third, in the era of globalisation, sustainable development is a task which calls for global participation, and the consequences of which have implications on every country in the world.

9. The new understanding of sustainable development has been gradually manifested in the new endeavours of the international community. For example, the “Human Development Report 2005” with international cooperation at a crossroads: aid, trade and security in an unequal world as the theme, focuses on discussing what rich countries as global partners should contribute in three areas: (1) strengthening international aid; (2) changing unfair trade policies to let people in poor countries have a fair share of global prosperity; (3) reducing violent conflicts to safeguard world security. The World Bank’s “World Development Report 2006” centred around the theme of equity and development, draws global attention to the inequalities arising from differences in nationality, race, gender and family background. The

Report cites evidences to illustrate that inequality of various forms not only results in tremendous waste of human potential but also causes great harm to sustainable development.

The Mainland experience

10. Since its reform and opening up in 1978, the Mainland has made remarkable achievements that attract worldwide attention. For the past 26 years, the Mainland economy has been developing rapidly, with an average annual GDP growth rate of 9.4%. The average real annual growth rate of urban per capita disposable income reaches 6.8%, while the real annual growth rate of rural per capita net income is 7.1%. Meanwhile, the rural population in absolute poverty has dropped from 250 million to 26.1 million, representing a substantial improvement in eliminating poverty that has won worldwide praise.

11. However, being a developing country with a vast territory and a large population, the Mainland has long been beset with the problem of imbalanced regional development. Rapid economic growth in the past two decades or so has intensified the imbalances on various aspects. Such imbalances are mainly manifested in the disparities between urban and rural areas, regions, genders and different community groups, among which the disparity between urban and rural areas is the most significant and serious problem. Taking the income gap between urban and rural residents as an example, since the 1990s, the growth rate of income of farmers has clearly been lower than that of urban residents, and the gap in absolute income between the two has been widening year after year. Urban per capita income was RMB824 higher than that of farmers in 1990. It was RMB1,578 higher in 1995, RMB4,027 higher in 2000 and RMB5,850 higher in 2003. According to a survey in 2002, among the 10% with the highest income in the Mainland, 93% are urban residents and 7% are rural residents; whereas among the 10% with the lowest income, only 1.3% are urban residents and 98.7% are rural residents, forming a striking contrast¹ between urban and rural areas.

¹ In fact, such income disparities between urban and rural residents fall far short of reflecting the actual income gap between urban and rural residents. This is partly attributed to the fact that urban residents' disposable income does not include the various subsidies in kind entitled by urban residents, such as public health care services, primary and secondary education subsidies, pension security and unemployment insurance. For details, please refer to "China's Human Development Report 2005: Development with Equity".

12. Another serious problem brought about by the rapid economic growth of the Mainland is the deterioration of its ecological environment. In recent years, the shortage of resources, the pollution of rivers and underground water, the over-exploitation of land and desertification are major issues threatening Mainland's sustainable development. According to the Division of Earth Science of the Chinese Academy of Sciences, the Mainland is the second largest country in carbon dioxide emission. The emission of other major pollutants such as methane, dust, sulphur dioxide and nitrous oxide are the highest in the world. The environmental and energy problems have caused great concern within the country and abroad.

13. In addressing these problems, the leadership of the Central Authorities has put forth the idea of "putting people first, forming a comprehensive, concerted sustainable development concept, advancing the all-round development of the economy, society and people". The principle of "putting people first" stresses that instead of GDP-centred, the development should aim at providing more opportunities for the 1.3 billion people to exploit their capabilities and live a healthy and long life. In this connection, the Central Authorities have advocated the "five areas for coordination" in promoting balanced development, i.e. to coordinate urban and rural development, coordinate development among regions, coordinate economic and social development, coordinate development of man and nature, and coordinate domestic development and "open-door" policy to the outside world. These have been clearly embodied in the 11th Five-Year Plan. For example, obligatory targets have been set on the industrial energy and water consumption per unit of output, total amount of cultivated land, emission of pollutants and forest coverage. Great financial and policy support has been given to the building of a new farming village area². During the 11th Five-Year Plan period, the Mainland will pay closer attention to promoting fairness in society and implement more effective measures to promote social and human development, hoping that greater progress can be made.

² Due to the economic restructuring of the Mainland and the change in the functions of the Government, the term "Five-Year Plan" in Chinese has changed from "五年計劃" to "五年規劃". In the 11th Five-Year Plan, the Government has set out 22 quantitative targets only, most of which are guiding and anticipated targets. Among the 22 targets, eight are obligatory targets, which are requirements imposed by the Central Government and to be fulfilled by the provincial governments and the relevant departments of the Central Authorities. Of the eight obligatory targets, five are directly related to the protection of the ecological environment, reflecting the seriousness of the problem.

IV. Hong Kong's experience

14. In his 1999 Policy Address, the Chief Executive referred sustainable development for Hong Kong to as “(1) finding ways to increase prosperity and improve the quality of life while reducing overall pollution and waste; (2) meeting our own needs and aspirations without doing damage to the prospects of future generations; (3) reducing the environmental burden we put on our neighbours and helping to preserve common resources”.

15. In the report entitled “Bringing the Vision to Life - Hong Kong's Long-Term Development Needs and Goals” released by the Commission on Strategic Development in February 2000, it was mentioned that “Hong Kong must be prepared to implement novel, long-term initiatives to improve the quality of life in Hong Kong and adhere to the principles of sustainable development” (page 30). The report also proposed that Hong Kong should move quickly to formulate its development strategy in this regard and to draw up measures to communicate that concept and the practices associated with it within the Government and throughout the community.

16. In 2003, the Government established the Council for Sustainable Development, consisting of 13 non-official members and five official members, and with the Chief Secretary for Administration as the Chairman. Sub-committees under the Council are also formed, including the Strategy Sub-committee and the Education and Publicity Sub-committee. A study group and several support groups have also been set up under the Strategy Sub-committee to assist in the rollout of public involvement stages on various issues. Since its establishment, the Council has collected views from various parties on solid waste management, renewable energy and urban living space through its engagement process. Based on these views, the Council proposed to the Government on the way forward for the sustainable development in the areas concerned. In May 2005, the Government published the First Sustainable Development Strategy for Hong Kong, setting out the strategic objectives, targets and plans of action for the above three issues. The Council has launched another round of engagement process on population policy from late June 2006 to the end of October 2006, inviting the community to involve in exploring proposals for a sustainable population policy for Hong Kong.

V. Hong Kong's unique circumstances and the challenges ahead

The philosophy underlying Hong Kong's development

17. Being an externally oriented economy, Hong Kong has been

upholding the principles of free market, low tax rates and small government in the course of its development over the past several decades. Under this development philosophy, the provision of equal development opportunities for all and the rule of law are emphasised. It is our strong belief that universal education, fair competition and market force bring the proactiveness of the public into full play, and facilitate an effective allocation of resources. The Government assumes a very limited role in the course of social development by simply providing the infrastructure and institutional setup necessary for the economic development, as well as meeting the basic needs of the poor and the needy.

18. Hong Kong has enjoyed rapid economic growth and made significant contribution to the reform and opening up of our country in the past under this development philosophy and the unique geo-political circumstances. However, from the perspective of sustainable development that takes into account the environment, economy and society, this development philosophy has certain limitations, including the failure to effectively narrow the wealth gap, and the lack of an integrated and comprehensive policy for the development of recreation and sports as well as arts and culture.

19. Over the past decade or so, especially after reunification, government expenditures have increased significantly in areas like environmental protection, social welfare, education, as well as recreation and culture. These are highly conducive to sustainable development and the building of a harmonious society. However, with the globalisation and rapid development of the Mainland (especially the PRD region), Hong Kong is facing new challenges in its environmental, economic and social development.

20. A comparison of some key indicators of Hong Kong and those of other cities/countries is at the Annex for reference.

Hong Kong's unique circumstances

21. As Asia's world city, Hong Kong's development experience is unique. Compared with other places, Hong Kong has the following characteristics:

- (a) Hong Kong is not a country but a highly developed and urbanised city. As an externally-oriented economy, Hong Kong's development has been greatly affected by external factors.
- (b) Given its limited land resources, the mode of intensive development has restricted improvements to the quality of life in Hong Kong. Yet on the other hand, it has enabled an effective use of resources.

For example, Hong Kong has a highly-developed, reliable and well-operated mass transit system with low private car ownership rate.

- (c) Hong Kong people have attached more and more importance to issues like social equality, quality of life, nature conservation and heritage conservation. The lopsided approach of placing emphasis on economic considerations in deliberating upon policies and measures, planning of land use and infrastructural projects in the past has been gradually brought into question.
- (d) Hong Kong is undergoing a process of integration with the PRD on social, economic and environmental fronts at an unprecedented pace. While the rapid integration between Hong Kong and the Mainland has brought about development opportunities for the two sides, the differences between the two places have also created quite a number of problems. These cross-boundary problems include family issues, air pollution, crimes, education and medical care. In fact, Hong Kong is facing more and more problems that can hardly be resolved effectively without the cross-boundary collaboration.
- (e) Hong Kong enjoys a high degree of freedom and has a sound legal system. Different interest groups in the society can freely express their views and stand up to fight for their own interests and values. At the same time, as our society becomes more diversified, it will be relatively more difficult to reach consensus on important policies.

Challenges in achieving a balanced and sustainable development

22. From the above summary of Hong Kong's development experience, it can be seen that Hong Kong is now in a unique historical situation. To achieve a balanced and sustainable development in future, Hong Kong still has to face many challenges.

Widening of the wealth gap

23. Under the prevailing trend of globalisation, there has been a rapid flow of capital, goods, services and talent among countries. While promoting sustained global economic growth, these have also led to polarisation of income distribution, thereby widening the wealth gap.

24. Hong Kong is in close proximity to the PRD region. In the past two decades, the availability of a large pool of cheap labour in the PRD region has offered unprecedented development opportunities to Hong Kong's business sector. At present, there are over 70 000 Hong Kong-invested

enterprises in the PRD region, where high value-added industries like financial services, professional services and logistics have been developing rapidly in recent years. However, with the integration between Hong Kong and the PRD, jobs of low-skilled industries and services have been relocated to the Mainland at a fast pace. The employment prospect of low-skilled labour of Hong Kong has become unfavourable and their wages may remain persistently at a low level. This inevitably leads to the widening of the wealth gap.

25. In fact, the Gini Coefficient for Hong Kong has been on the upward trend in the past decade or so, increasing from 0.45 in 1981 to 0.48 in 1991 and to 0.53 in 2001. The percentage income share of the 20% households with the lowest income dropped from 4.3% in 1991 to 3.2% in 2001. A social safety net is provided in Hong Kong under the Comprehensive Social Security Assistance Scheme, but the continued widening of the wealth gap has always been a potential threat to social stability. Despite the continued economic recovery in the past two years, the unemployment rates of certain sectors and job categories remain high.³ With further integration between Hong Kong and the PRD, a widened wealth gap may pose a structural instead of a short-term problem to Hong Kong if its low-skilled workers fail to upgrade themselves by means of retraining.

Balancing development and conservation

26. In recent years, there has been a growing concern over nature conservation and heritage conservation. With the limited land resources in Hong Kong, there are always competing demands for land to meet economic and social needs. Developments and the associated human activities would unavoidably have an adverse impact on the natural environment and may, in some cases, conflict with the nature conservation objective. We need to strike a proper balance to ensure that Hong Kong's development needs are met without doing unacceptable damage to the natural environment. There are debates from time to time on whether a particular site deserves conservation. The debate will be particularly heated if a development proposal may affect the ecology of the area. There are also criticisms that the Government's nature conservation policies and measures cannot fully conserve the ecologically important sites that fall under private ownership.

³ For example, the unemployment rate of the construction sector for the period between February and April 2006 was still at a high level of 13.6%. In terms of jobs, the unemployment rate of craft and related workers was 11.3%, much higher than the overall unemployment rate of 5.0%.

Air Quality

27. The air quality in Hong Kong has aroused concerns in the community, including local and overseas business sectors. In 2002, Guangdong and Hong Kong governments reached a consensus to reduce, on a best endeavour basis, emissions of various major pollutants in the PRD region by 2010. Furthermore, starting from 30 November 2005, the two governments have made arrangements for reporting daily the PRD Regional Air Quality Index to facilitate the public to know more about the air quality of different areas in the region.

28. According to a study jointly undertaken by Hong Kong and Guangdong, the emissions of pollutants from the PRD accounted for over 80% of the total emissions in the region. However, as over 70 000 enterprises in the region are investments from Hong Kong, Hong Kong businessmen have a role to play in improving the air quality in the region. On the basis of cooperation between the two governments, it is worth exploring how the business and civil sectors can proactively foster reduction of pollutants to achieve the emissions reduction targets by 2010.

Corporate social and environmental responsibility

29. It has always been the prime (or even the sole) objective of private corporations to maximise the profits for shareholders. In Hong Kong, with its simple and low tax regime and free economy, corporations are allowed to make any business decisions as long as they comply with the legal requirements. In recent years, the social and environmental impacts of multinational and major corporate operations have aroused wide public concern. Apart from lawful operation, corporations are also required to perform more social and environmental responsibilities, including prudent handling of staff retrenchment, taking heed of equal opportunities in employment, creating a family-friendly environment in workplace, reducing emissions of pollutants and greenhouse gas, actively participating in community, poverty alleviation, charitable and cultural activities, and increasing transparency in operation. There have also been more calls in the community for legislative control of corporate behaviour.

Balancing the interests of the SAR and our country

30. Hong Kong is endowed with a sound legal system, a broad international outlook and a wealth of talent proficient in both Chinese and English. We should be proud of all these, with which we are able to contribute to the further development of our country. However, our knowledge about our country is rather limited and efforts have to be made to

further strengthen our national identity. In future, Hong Kong will further integrate into the development of the PRD and even the Pan-PRD. It is undeniable that there are differences between Hong Kong and the Mainland in areas ranging from levels of economic and social development to cultural and political institutions. Could we consider the circumstances of Hong Kong in isolation in discussion of balanced and sustainable development? How should the perspective of regional development and the overall development of our country be incorporated in the relevant discussion?

VI. Issues to be considered and discussed

31. Balanced and sustainable development covers an extensive range of issues. The issues we need to consider and discuss include:

- (a) In promoting sustainable development on all fronts, what issues should be handled with priority?
- (b) How should the Government enhance the conservation of sites of high ecological importance or cultural heritage? How can the business sector be involved to collaborate with the Government?
- (c) Most of the business establishments in Hong Kong are small and medium enterprises. What ways and means should be adopted to motivate the business sector to perform their social and environmental responsibility?
- (d) The Outline of the 11th Five-Year Plan sets out the overall plans on developing recycling economy, restoring ecology and intensifying environmental protection efforts in the next five years. Recently, our neighbouring province Guangdong has also put forward objectives like the construction of a “green Guangdong”. How should Hong Kong respond to the 11th Five-Year Plan regarding environmental protection?
- (e) What are Hong Kong’s long-term strategies on enhancing environmental protection awareness and strengthening civic education?

Secretariat to the Commission on Strategic Development
August 2006

A Comparison between Hong Kong and Other Cities / Countries

No.	Item	Hong Kong	Denmark	Finland	Netherlands	Norway	Singapore	Sweden
1	Population(million, 2004)	6.8	5.4	5.2	16.3	4.6	4.3	9.0
2	Life expectancy at birth (Male/Female age, 2003)	78/83	75/80	75/82	76/81	77/82	76/80	78/82
3	Population aged under 15 (As % of the total population) (2003/2015)	15.2/12.7	18.8/17.0	17.7/15.8	18.4/16.4	19.9/17.5	20.7/13.2	17.9/16.4
4	Population aged 65 and over (As % of the total population) (2003/2015)	9.8/14.4	12.8/18.4	13.4/20.3	11.9/17.5	13.3/17.5	6.5/13.3	15.0/20.4
5	Total fertility rate (No. of children per woman) (2000-2005)	0.9	1.8	1.7	1.7	1.8	1.4	1.6
6	National income per capita (US\$, PPP GNI, 2004)	31,510	31,550	29,560	31,220	38,500	26,590	29,770

7	Human Development Index ranking (2003)	22	14	13	12	1	25	6
8	Government expenditure on public education as % of GDP(2000-02)	4.4	8.5	6.4	5.1	7.6	..	7.7
9	Expenditure on public education as % of total government expenditure (2000-02)	23.3	15.4	12.7	10.7	16.2	..	12.8
10	Expenditure on different levels of education (%) (2000-02) (Pre-school and primary education/secondary education /university education)	25.1/32.8/32.6	31.1/34.3/32	27/40.6/32.5	35.5/39.2/25.2	36.5/33/27.5	..	34.8/36.4/28.3
11	Gini Coefficient (Survey Year)	0.53 (2001) ^{Note 5}	0.247 (1997)	0.269 (2000)	0.309 (1999)	0.258 (2000)	0.425 (1998)	0.25 (2000)
12	Ranking of development index disaggregated by gender	22	13	10	12	1	..	4

13	Ratio of female's estimated income to that of male	0.56	0.73	0.72	0.53	0.75	0.51	0.69
14	Labour force participation rate for women aged 15 and above (% , 2003)	51.2	61.8	56.8	46.0	60.3	50.0	62.8
15	Average working hours per week of employees (2004)	48.0	..	36.0	38.4	34.6	46.3	35.3
16	Sulphur dioxide emissions per capita (tonne, 2000)	5.0	8.4	10.3	8.7	11.1	14.7	5.3

Sources:

- 1) Figures of Nos. 1, 2, 6 and 16 are extracted from the “World Development Report 2006: Equity and Development”, by the World Bank , Beijing: Tsinghua University Press, 2006, pp. 292-297.
- 2) Figures for No. 15 are from the International Labour Organisation, <http://laborsta.ilo.org/cgi-bin>.
- 3) The remaining figures are extracted from the “Human Development Report 2005 – International cooperation at a crossroads: Aid, trade and security in an unequal world”, by the United Nations Development Programme, New York: United Nations Development Programme, 2005, pp. 219-314.
- 4) “..” – Data not available.
- 5) “2001 Population Census Main Report 1, page 19”, Census and Statistics Department of Hong Kong.