

## **Commission on Strategic Development**

### **Hong Kong's Relationship with the Central Authorities/the Mainland**

(Translation)

#### **Purpose**

This paper outlines for discussion Hong Kong's relationship with the Central Authorities/the Mainland. Members are invited to give their views on related issues.

#### **“One Country, Two Systems”**

2. On 19 December 1984, the Chinese and British Governments signed the Sino-British Joint Declaration, affirming that the Government of the People's Republic of China (PRC) will resume the exercise of sovereignty over Hong Kong with effect from 1 July 1997. Our country's basic policies regarding Hong Kong and their elaboration have been set out in the Sino-British Joint Declaration<sup>1</sup>. The Central Authorities have established, in accordance with the provisions of Article 31 of the Constitution of the PRC<sup>2</sup>, a Hong Kong Special Administrative Region (HKSAR). Our country's basic policies regarding Hong Kong have been stipulated by the National People's Congress (NPC) in a Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the Basic Law), and they will remain unchanged for 50 years.

3. The Basic Law was adopted on 4 April 1990 by the 7<sup>th</sup> NPC of the PRC and came into effect on 1 July 1997. The Basic Law is a set of national laws enacted by the NPC, and also a constitutional document on the HKSAR. It prescribes, in the form of a legal document, the systems to be practised in the

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<sup>1</sup> See sub-paragraph (12) of Part 3 and Annex 1 of the Sino-British Joint Declaration.

<sup>2</sup> Article 31 of the Constitution of the PRC reads “The State may establish special administrative regions when necessary. The systems to be instituted in special administrative regions shall be prescribed by law enacted by the National People's Congress in the light of specific conditions.”

HKSAR in order to ensure the implementation of the basic policies of the PRC regarding Hong Kong.

4. Article 1 of the Basic Law states clearly at the outset that “the Hong Kong Special Administrative Region is an inalienable part of the People’s Republic of China.” Under the “One Country, Two Systems” principle adopted by our country, the HKSAR enjoys a high degree of autonomy, which has been authorised by the Central Authorities. Article 12 of the Basic Law expressly states that “The Hong Kong Special Administrative Region shall be a local administrative region of the People’s Republic of China, which shall enjoy a high degree of autonomy and come directly under the Central People’s Government.”

5. Under the premise of “One Country”, the Central Authorities have sovereignty over the HKSAR. The Central People’s Government is responsible for administering the defence and foreign affairs of the HKSAR as well as appointing the Chief Executive and the principal officials of the executive authorities of the HKSAR. Article 43 of the Basic Law stipulates that the Chief Executive of the HKSAR shall be the head of the HKSAR, shall represent the Region, and shall be accountable to the Central People’s Government and the HKSAR in accordance with the provisions of the Basic Law. Article 48 of the Basic Law states that the Chief Executive of the HKSAR shall lead the government of the Region; be responsible for the implementation of the Basic Law and other laws which, in accordance with the Basic Law, apply in the HKSAR; implement the directives issued by the Central People’s Government in respect of the relevant matters provided for in the Basic Law; and conduct, on behalf of the Government of the HKSAR, external affairs and other affairs as authorised by the Central Authorities. Under the principle of “One Country, Two Systems” and the provisions of the Basic Law, the Chief Executive has a special and important constitutional role. On this basis, the Chief Executive is obliged to report regularly the work of the HKSAR Government and the situation of HKSAR to the Central People’s Government.

6. The HKSAR enjoys a high degree of autonomy but not absolute autonomy. Article 2 of the Basic Law points out that “the National People’s Congress authorises the HKSAR to exercise a high degree of autonomy and enjoy executive, legislative and independent judicial power, including that of final adjudication, in accordance with the provisions of this Law”. The Central Authorities have authorised the local government to exercise an extraordinary

high degree of autonomy and specified clearly the scope of the autonomy, which includes the executive, legislative, independent judicial and final adjudication power, and the power to handle external affairs. As the authorising body, the Central Authorities cannot delegate all its authorities. Therefore, it retains the power of national defence and foreign affairs as well as other powers outside the limits of the autonomy of the HKSAR<sup>3</sup>.

7. The Basic Law is an enabling legislation in nature. Under the theory of the unitary state structure, all powers exercised by the municipalities are conferred by the Central Authorities. Therefore, all legislation involving the relationship between the Central Authorities and municipalities, in particular, those governing the municipal organisations etc, are enabling legislation in nature. The executive, legislative and judicial powers exercised by the HKSAR are derived from authorisation by the Central Authorities, and there is no so-called “residual power”<sup>4</sup>. At the “Seminar in commemoration of the 10<sup>th</sup> anniversary of the implementation of the Basic Law in the HKSAR of the People’s Republic of China” in June 2007, Wu Bangguo, the then Chairman of the Standing Committee of the NPC said, “..... the high degree of autonomy enjoyed by the HKSAR is conferred by the Central Authorities. We are an unitary country. The high degree of autonomy of the HKSAR was not inherent to Hong Kong but granted by the Central Authorities.” Article 20 of the Basic Law states that “the Hong Kong Special Administrative Region may enjoy other powers granted to it by the National People’s Congress, the Standing Committee of the National People’s Congress or the Central People’s Government.” It shows that the Central Government has sovereignty over SAR while retaining the residual powers. On the other hand, it also indicates that the SAR enjoys the power to continue to accept other powers<sup>5</sup> conferred by the Central Authorities. Professor Wang Zhenmin of Tsinghua University said that this requirement showed that the drafters of the Basic Law “departed from the traditional legislative practice and handled the question of ‘residual powers’ flexibly without compromising the principles. That means the Central Authorities retain all ‘residual powers’ while the SAR enjoys the power to

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<sup>3</sup> Wang Yu. ‘A study of the Authorisation Theory under the “One Country, Two systems” Framework’, *Hong Kong and Macao Studies*, Spring issue, 2013 (the 29<sup>th</sup> issue), Research Institute of Hong Kong and Macao of the Development Research Centre of State Council

<sup>4</sup> Quoted from paragraph 12 of the statement made by the then Chief Secretary for Administration at the Legislative Council on 11 February 2004, informing Members of the Constitutional Development Task Force’s visit to Beijing in that month (see Annex B of Legco Paper CB (2) 1459/03-04 (03) for the full text).

<sup>5</sup> Wang Zhenmin: “Relationship between the Central Authorities and the SAR— an analysis of the structure of the rule of law” Tsinghua University Press, Beijing, 2002, p. 174-175.

accept ‘other residual powers’ conferred by the Central Authorities”.<sup>6</sup> Wu Bangguo also pointed out on the same occasion that the corresponding requirement of the Basic Law “has clearly defined the legal status of the HKSAR, indicating that the SAR is wholly under the China’s sovereignty. The HKSAR has as much power as that granted by the Central Authorities. According to Article 20 of the Basic Law, the Central Authorities may grant other powers to the SAR, which have not been clearly specified, and the question of so-called ‘residual power’ does not exist.”

8. The underlying goal of the principles and policies adopted by the Central Government concerning Hong Kong is to uphold China’s sovereignty, security and development interests, and maintain long-term prosperity and stability of Hong Kong. To implement the principles of “One Country, Two Systems”, “Hong Kong people administering Hong Kong” and a high degree of autonomy, we must both adhere to the one country principle and respect the differences of the two systems, both uphold the power of the Central Government and ensure a high degree of autonomy in the HKSAR, both give play to the role of the Mainland as the staunch supporter of Hong Kong and increase the HKSAR’s competitiveness. At no time should we focus only on one side to the neglect of the other<sup>7</sup>.

### **Role of Hong Kong in National Development**

9. Since the 1980s, the Mainland has been pushing forward with reform and open-up policies. Over the past 30-odd years, Hong Kong has brought funds, personnel, technologies and management experience into the Mainland, contributing to the country’s reform and opening up. As the Mainland economy develops rapidly, the Central Government has been fuelling the transformation of its economic development model and encouraging Mainland enterprises to tap the global market in recent years.

10. At the 3<sup>rd</sup> Session of the 9<sup>th</sup> NPC of the Communist Party of China in March 2000, President Jiang Zemin pointed out that “with the continuous development of China’s economy, we must play an active role in international economic competition, and strive to seize the initiative. We should also embrace every opportunity to pursue the ‘going out’ strategy, and combine the

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<sup>6</sup> Same as Note 5, p. 176.

<sup>7</sup> See the President’s Report to the 18<sup>th</sup> National Congress of the Communist Party of China on 8 November 2012.

strategies ‘bringing in’ and ‘going out’ seamlessly,... We should encourage and support enterprises which enjoy clear advantages to expand global investments and establish multi-national businesses progressively,... expedite the incubation of our own multi-national corporations, and strive to help the Chinese economy move forward through international economic co-operation and competition.”<sup>8</sup>

11. The National 11<sup>th</sup> Five-Year Plan proposes that the regions where city agglomeration has already formed should continue to perform the leading and radiation functions, and strengthen work division and co-operation and advantage complementarity of all cities in the city agglomeration to enhance the overall competitiveness of the agglomeration. The National 11<sup>th</sup> Five-Year Plan unequivocally “supports Hong Kong’s development on fronts such as financial services, logistics, tourism and information services, and the maintenance of Hong Kong’s status as an international centre of financial services, trade and shipping”. The Central Government has not only reaffirmed its recognition of Hong Kong’s advantages, but also indicated Hong Kong’s roles and functions in the development process of our country<sup>9</sup>.

12. The National 12<sup>th</sup> Five-Year Plan sets out clearly that “China will continue the combination of the strategies ‘bringing in’ and ‘going out’ and to pay dual attention to both foreign investments in China and Chinese investments abroad in order to increase safe and effective use of the two markets and their resources.” Moreover, this is the first time, an individual chapter entitled “Maintaining the Long-term Prosperity and Stability of Hong Kong and Macao” has been dedicated to Hong Kong and Macao (the Dedicated Chapter) to elaborate the significant functions and positioning of the HKSAR in the national development strategy and propose “strengthening exchanges and co-operation of the Mainland with Hong Kong and Macao; continuing to implement the Closer Economic Partnership Arrangement (CEPA); deepening co-operation among Guangdong, Hong Kong and Macao; implementing the Framework Agreements on Hong Kong/Guangdong Co-operation and Macao/Guangdong Co-operation; promoting co-ordinated regional economic development and developing a world-class metropolitan cluster with enhanced competitiveness.”

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<sup>8</sup> President Jiang emphasised the importance of adapting to new situations, taking on new challenges, exploring new areas of strength and achieving new developments in his remarks he made at the discussion session of the Shanghai delegates. (Website for news on the NPC).  
<http://www.people.com.cn/zgrdxw/news/200003/08/0801.html>

<sup>9</sup> Economic Analysis and Business Facilitation Unit, Financial Secretary’s Office. (September 2006). “The Opportunities and Challenges Presented by the 11<sup>th</sup> Five-Year Plan and the Outlook for Hong Kong.”  
Source: [http://www.info.gov.hk/info/econ\\_summit/eng/pdf/paper\\_1.pdf](http://www.info.gov.hk/info/econ_summit/eng/pdf/paper_1.pdf)

13. The Dedicated Chapter has iconic significance on the future development of Hong Kong, as embodied in the following areas:

- (1) The Dedicated Chapter emphasises the Central Authorities' support for Hong Kong in consolidating and enhancing our competitive advantages, including continuing to support Hong Kong in developing its financial services, shipping, logistics, tourism, professional services, information and other high-value-added services; supporting Hong Kong to develop into a high-value goods inventory management and regional distribution centre; reinforcing and enhancing Hong Kong's status as an international centre for financial services, trade and shipping; and supporting Hong Kong to develop into an offshore Renminbi (RMB) business centre and an international asset management centre. The relevant statements are helpful to Hong Kong in further consolidating and enhancing our overall competitive advantages, in particular our global influence in the financial sector and playing the roles of "firewall" and "testing ground". This will assist the country in capitalising on Hong Kong's financial market as a platform for attracting capital, allocating assets and promoting the "go global" strategy of RMB.
- (2) The Dedicated Chapter emphasises the Central Authorities' support for Hong Kong in nurturing emerging industries and developing the six industries where Hong Kong enjoys clear advantages. The relevant statements will help the six industries extend the fields of co-operation and scope of service in the Mainland. Through interactive co-operation efforts, the development of the six industries can in turn help upgrade the country's industry structure, particularly the development of service industries.
- (3) The Dedicated Chapter emphasises the Central Authorities' support for deepening the economic co-operation between the Mainland and Hong Kong and continuing the implementation of CEPA, and confirms the significant functions and positioning of Hong Kong's co-operation with Guangdong under the Framework Agreement on Hong Kong/Guangdong Co-operation, including the establishment of a financial services co-operation zone and a

world-class metropolitan cluster with Hong Kong's financial system taking the lead. It also emphasises the Central Authorities' support for opening up the Guangdong market to Hong Kong's service industries under the early and pilot implementation measures, and the gradual extension of such measures to other regions. The relevant statements define clearly the core functions and positioning of Hong Kong in the development of the PRD region, and provide a clear direction and basis for Hong Kong in taking forward further regional cooperation with other provinces.<sup>10</sup>

14. To allow Hong Kong to effectively play up its advantages in “leveraging on the Mainland while engaging the world at large” in the course of our country's comprehensive efforts in economic development, provide fresh growth impetus to the Hong Kong economy and at the same time contribute to the economic development of our country, the HKSAR Government stated in 2006 (that is, in the course of the National 11<sup>th</sup> Five-Year Plan) that Hong Kong should examine seriously the opportunities and challenges arising from the development plan of our country and make proactive and concrete response early so as to make the most of the occasion when our country aims to change its development concept by expanding domestic demand, optimising industrial structure, conserving resources and protecting environment, and enhancing independent innovation capability.

### **Appropriately Proactive Governance**

15. It is further stated in the 2010-11 Policy Address that the SAR Government will work with the Shenzhen authorities to encourage the trades in Hong Kong to seize the opportunities arising from the development of Qianhai and to expand the hinterland for Hong Kong's service industries. With their strengths and international experience, they can complement our country's plan to optimise its industrial structure and contribute to its further reform and opening up.

16. While reinforcing and enhancing its competitive advantages and developing emerging industries and industries where it enjoys clear advantages in accordance with the National 12<sup>th</sup> Five-Year Plan, Hong Kong also makes an

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<sup>10</sup> Commission on Strategic Development (2011). Hong Kong SAR's Work Direction in Complementing the National 12<sup>th</sup> Five-Year Plan (Paper Ref: CSD/2/2011).

effort to deepen its economic and trade co-operation with the Mainland, continue to implement the facilitation arrangements under CEPA, and leverage the significant functions and positioning of its co-operation with Guangdong under the Framework Agreement to establish a financial co-operation zone and a world-class metropolitan cluster with its financial system taking the lead, and fulfil its core functions and positioning in the development of the Pearl River Delta (PRD) region.

### **Co-Operation Platform for Hong Kong and the Mainland**

17. To strengthen co-operation with the Mainland, the SAR Government has played an active role in developing and participating in the following regional co-operation platforms with the Mainland:

- (1) Hong Kong/Guangdong Co-operation Joint Conference;
- (2) Hong Kong/Shenzhen Co-operation Meeting;
- (3) PRD Regional Co-operation and Development Forum;
- (4) Hong Kong/Shanghai Economic and Trade Co-operation Conference;
- (5) Hong Kong/Beijing Economic and Trade Co-operation Conference; and
- (6) Hong Kong/Macao Co-operation High Level Meeting.

The resultant co-operation is multi-facet, covering cross-boundary co-operation, facilitation of the flow of personnel and goods, promotion of trade and commerce, environmental protection, food safety, information technology, city construction, tourism co-operation, cultural exchanges, sports promotion and training of rehabilitation personnel.<sup>11</sup>

18. The SAR government has established five Mainland Offices, including (1) The Office of the Government of the HKSAR in Beijing, (2) Hong Kong Economic and Trade Office in Guangdong (with Liaison Units in Fujian

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<sup>11</sup> Regional Co-operation with the Mainland. Source: Website of the Constitutional and Mainland Affairs Bureau. Source: [http://www.cmab.gov.hk/en/issues/regional\\_cooperation.htm](http://www.cmab.gov.hk/en/issues/regional_cooperation.htm)



and Shenzhen), (3) Hong Kong Economic and Trade Office in Shanghai, (4) Hong Kong Economic and Trade Office in Chengdu (with a Liaison Unit in Chongqing) and (5) Hong Kong Economic and Trade Office in Wuhan. The main responsibilities of these offices include strengthening liaison between Hong Kong and the Central Government as well as provinces, municipalities and autonomous regions; enhancing Hong Kong's economic and trade relations with Mainland provinces and municipalities; strengthening co-operation between Hong Kong and different provinces or municipalities; providing support for Hong Kong residents and enterprises in the Mainland; and promoting Hong Kong.

19. The Mainland Offices proactively liaise with potential enterprises and relevant commercial and industrial organisations in the Mainland. Various seminars and exchange activities are organised to introduce Hong Kong's business environment and competitive edges as a platform for Mainland enterprises to develop their overseas business. Through different channels and publicity events, the Mainland Offices also enhance their communication with all sectors in the Mainland with a view to promoting the strengths of Hong Kong, the co-operation between Hong Kong and the Mainland to attain mutual benefits, and the deep-rooted bond and friendship between people of both places<sup>12</sup>.

### **Mutual Benefits**

20. Hong Kong and the Mainland are enjoying mutual benefits<sup>13</sup> from the thriving economic activities between the two places (see Annex 1). The Mainland is Hong Kong's largest trading partner while Hong Kong is the Mainland's second largest trading partner. The Mainland is also Hong Kong's largest supplier in goods and largest domestic export market. The value of goods re-exported through Hong Kong from and to the Mainland accounts for 89% of Hong Kong's total re-export trade value. The Mainland is Hong Kong's largest source of inward direct investment while Hong Kong is the largest foreign investor in the Mainland.

21. The Mainland and Hong Kong signed The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) in 2003. CEPA

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<sup>12</sup> Information paper for LegCo Panel on Commerce and Industry - Report on the Work of HKSAR Government's Offices in the Mainland and Taiwan  
(LC Paper No. CB(1)72/13-14 (04)  
<http://www.legco.gov.hk/yr13-14/english/panels/ci/papers/ci1022cb1-72-4-e.pdf>

<sup>13</sup> See Annex 1.

covers three broad areas, namely trade in goods, trade in services and trade and investment facilitation. Adopting a building block approach in expanding the scope and content of CEPA, the two sides signed the Supplement X to CEPA in 2013.

22. Hong Kong and the Mainland have actively encouraged professionals from both sides to accord mutual recognition of professional qualifications, as a part of the measures under CEPA. To date, both sides have reached agreements or arrangements on mutual recognition of various professional qualifications. The Mainland has now become the sector's biggest market outside Hong Kong. For some professions, fee revenues are higher in the Mainland than in Hong Kong. CEPA has also benefited other major industries in Hong Kong, including finance, trade and industry and tourism (see Annex 2).

23. The Mainland has also benefited from signing CEPA with Hong Kong. CEPA adheres to the principle of "mutual benefits and complementary advantages"<sup>14</sup>. There is strong complementarity between the industries in Hong Kong and the Mainland due to their differences. As a free trade agreement, CEPA, after its implementation, can help further promote the free flow of the factors of production in the two places, optimise resource allocation, and facilitate the adjustment of industrial structure and economic growth of the two places. In this connection, CEPA not only has a positive impact on Hong Kong, but also promotes the economic development of various regions in the Mainland. As a general analysis, the impact of CEPA on the Mainland economy can be found in the following areas: firstly, Hong Kong and Macao's expanded investment in the Mainland further promotes the upgrading and restructuring of the industries in the Mainland and enhances their competitiveness from a macro perspective; secondly, it is beneficial to the development of small and medium enterprises in the Mainland, Hong Kong and Macao; thirdly, the lowered thresholds provide incentive to attract the flow of Hong Kong and Macao capital to the central and western region of the Mainland and hence promote the economic development of the region; and fourthly, it lays the foundation for the economic integration of the three places.

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<sup>14</sup> Han Lu (2009), "The impact of CEPA on the Mainland economy and cross-strait economic relations", Popular Business, Issue 08, 2009.  
<http://www.zclw.net/article/sort015/sort020/info-39649.html>

## Same Roots

24. Hong Kong has always been a city of immigrants. About one third of the Hong Kong population is from the Mainland. Many Hong Kong residents have friends and relatives residing on the Mainland. The relationship between the residents on both sides has been close (see Annex 3 for the population profile). The birth rate in Hong Kong has been consistently low. The growth of population largely relies on immigrants, especially those who come to Hong Kong for settlement through the One-way Permit Scheme.

25. There are frequent interactions between Hong Kong and the Mainland, and the bond between residents of the two places is close. Passenger traffic at boundary control points in 2013 reached 208.68 million (The passenger throughputs at various controls points were as follows: Lo Wu Control Point: 92.1 million; Hung Hom Control Point: 4.45 million; Lok Ma Chau Spur Line Control Point: 46.67 million; Lok Ma Chau Control Point: 28.43 million; Man Kam To Control Point: 1.17 million; Sha Tau Kok Control Point: 3.39 million; and Shenzhen Bay Control Point: 32.45 million), representing an increase of 29.5% as compared with 161.15 million in 2007.

26. The number of cross-boundary marriages has been on a steady rise. According to the Census and Statistics Department, the number of marriages registered in Hong Kong with bridegrooms/brides from the Mainland and the number of issuance of Certificate of Absence of Marriage Record for the purpose of marrying in the Mainland increased from 16 451 in 1986 to 27 538 in 2012, representing an increase of about 67%. The percentage share of marriages registered in Hong Kong with bridegrooms/brides from the Mainland in the total number of marriages registered in Hong Kong also increased from 1.8% in 1986 to 36.2% in 2012<sup>15</sup>.

27. There was a significant increase in the number of Mainland women giving birth in Hong Kong before the introduction of the “zero quota” policy in January 2013. The number of live births born in Hong Kong to Mainland

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<sup>15</sup> Census and Statistics Department, Women and Men In Hong Kong Key Statistics 2013 Edition, Tables 2.3 and 2.4 <http://www.statistics.gov.hk/pub/B11303032013AN13B0100.pdf>  
Census and Statistics Department, Hong Kong Annual Digest of Statistics 2013, Table 1.8  
<http://www.statistics.gov.hk/pub/B10100032013AN13B0100.pdf>

women over the period from 2001 to 2012 was 301 544, and 89 028 of them were born to fathers who are Hong Kong permanent residents<sup>16</sup>.

28. As for students studying in Hong Kong, in the 2013/14 academic year, there were 6 575 Mainland students taking publicly funded degree programmes<sup>17</sup>; 4 765 Mainland students taking publicly-funded research post-graduate programmes; and 88 Mainland students taking publicly-funded taught post-graduate programmes<sup>18</sup>. The total number of Mainland students has increased by 35.1% as compared with the total corresponding figure of 8 456 in the 2009/10 academic year<sup>19</sup>. For the self-financing sector, there were 866 and 551 Mainland students taking self-financing undergraduate and sub-degree programmes respectively in the 2013/14 academic year. Besides, there were about 10 000 Mainland students taking self-financing postgraduate programmes in the 2012/13 academic year. The number of cross-boundary students attending secondary schools, primary schools and kindergartens in Hong Kong has also gone up rapidly from 8 038 in 2009/10 to 20 871 in 2013/14<sup>20</sup>.

29. As regards employment, a survey report published by the Federation of Hong Kong Industries in 2007 indicated that Hong Kong-related enterprises in the nine cities of the PRD of the Guangdong Province hired 9.6 million employees.<sup>21</sup>

30. As of March 2014, the cumulative applications received and approved under the Capital Investment Entrant Scheme were 37 714 and 21 826 respectively, with 19 265 of the approved applications from “Chinese nationals who have obtained overseas permanent residency”; the cumulative quota allotted under the Quality Migrant Admission Scheme was 2 809, with 2 214 of the

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<sup>16</sup> Census and Statistics Department, Hong Kong Monthly Digest of Statistics: “The Fertility Trend in Hong Kong, 1981 to 2012”, Table 2: Births born in Hong Kong to Mainland women, 2001 to 2012, <http://www.statistics.gov.hk/pub/B10100022013MM12B0100.pdf>

<sup>17</sup> Special Meetings of the Finance Committee to examine the Estimates of Expenditure 2014-15, 4 April (8<sup>th</sup> meeting) 2014, Administration's replies to Members initial written questions, File name: EDB-1-c1.doc, Reply Serial No. EDB486, Annex A. [http://www.legco.gov.hk/yr13-14/chinese/fc/fc/w\\_q/edb-c.pdf](http://www.legco.gov.hk/yr13-14/chinese/fc/fc/w_q/edb-c.pdf)

<sup>18</sup> See Note 17.

<sup>19</sup> See Note 17.

<sup>20</sup> Special Meetings of the Finance Committee to examine the Estimates of Expenditure 2014-15, 4 April (8<sup>th</sup> meeting), Administration's replies to Members initial written questions, File name: EDB-1-e1.docx, Reply Serial No. EDB068, Table 1 [http://www.legco.gov.hk/yr13-14/english/fc/fc/w\\_q/edb-e.pdf](http://www.legco.gov.hk/yr13-14/english/fc/fc/w_q/edb-e.pdf)

<sup>21</sup> Trade and Industry Department. (December 2013). “Fact Sheets – The Mainland of China and Hong Kong Special Administrative Region Some Important Facts.” Source: <http://www.tid.gov.hk/english/aboutus/publications/factsheet/china.html>

successful applicants originating from the Mainland; the cumulative applications received and approved under the Admission Scheme for Mainland Talents and Professionals were 80 223 and 67 251 respectively; the cumulative of applications received and approved under the Immigration Arrangements for Non-local Graduates were 31 906 and 31 589 respectively, with 29 932 of the approved applications from Mainland graduates.

31. The massive Mainland market creates huge opportunities for Hong Kong people.<sup>22</sup> According to the 6<sup>th</sup> National Population Census conducted by the National Bureau of Statistics in November 2010,<sup>23</sup> the number of Hong Kong people residing in the Mainland amounted to 234 829 as of 1 November 2010.<sup>24</sup> Of these, 57 004 stayed in the Mainland for business or work, and 22 573 for study.<sup>25</sup> The number of Hong Kong residents working in the Mainland has increased from 52 000 in late 1998 to 175 000 in the third quarter of 2010.

32. Since the Reunification and in accordance with the “One Country, Two Systems” principle, eligible Hong Kong residents holding the passport of the Hong Kong Special Administrative Region of the People’s Republic of China enjoy visa-free access to or visa-on-arrival arrangement in 150 countries or territories<sup>26</sup> and consular protection by the PRC. The Office of the Commissioner of the Ministry of Foreign Affairs of the PRC in the HKSAR

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<sup>22</sup> In his 2014 Policy Address, the CE told a story about a young person who went to the Mainland to start his own business. After earning his master’s degree in Hong Kong, he was inspired by a lecturer and decided to venture into the wider world. He refinanced his property, dug into his savings and borrowed money from his relatives to head for Guangxi. After ten years, he now owns a company that manages a supply chain of imported red wine, coffee and other food items, with an annual turnover of over \$100 million. This particular story shows us that with determination and tenacity, and by capitalising on the opportunities at home and abroad, young people can build a promising career in various markets and industries, new or traditional. A news article in Ming Pao on 5 March 2014 reported a success story of a pair of young post-80 Hong Kong entrepreneurs. They launched their mobile phone game “Tower of Saviors” early last year. In March this year, Mainland webgame developer Forgame acquired a 20% stake in Magic Feature Inc., the parent company of the developer of “Tower of Saviors” with an investment of US\$70 million (around HK\$543 million).

<sup>23</sup> Based on the supplementary questionnaire used in the 2010 Population Census conducted by the National Bureau of Statistics. The questionnaire covered all Hong Kong residents who had stayed in the Mainland for at least three months prior to the reference time of the Census, and Hong Kong residents who confirmed that they would stay in the Mainland for at least three months for work, study, social visit, retirement and other reasons after the reference time. Hong Kong residents who temporarily stayed in the Mainland for business or sightseeing were excluded.

<sup>24</sup> Figures of the 2010 Population Census of China – Appendices 2-3: “Numbers of foreigners by reason for staying in China”  
<http://www.stats.gov.cn/tjsj/pcsj/rkpc/6rp/indexch.htm>

<sup>25</sup> *Ibid.*

<sup>26</sup> Visa-free Access for HKSAR Passports (as of 8 April 2014).  
<http://www.gov.hk/en/residents/immigration/traveldoc/hksarpassport/visafreeaccess.htm/#/r3>

works closely with the HKSAR Government to safeguard the legitimate rights and interests of Hong Kong people abroad who hold the HKSAR passport, refine the mechanism for handling emergency cases of consular protection involving Hong Kong, and render consular protection to Hong Kong residents in distress overseas. In recent years, in major incidents involving Hong Kong residents abroad, including the hostage-taking incident in Manila, the hot-air balloon incident in Egypt, etc, the Central Government, the Ministry of Foreign Affairs, the Office of the Commissioner of the Ministry of Foreign Affairs of the PRC in the HKSAR and the local Chinese Diplomatic and Consular Missions have expressed serious concern and provided strong support for the HKSAR Government, enabling the smooth completion of various follow-up tasks.

33. The Mainland is also the major supplier of key necessities to Hong Kong: fresh water and food (see Annex 4). In addition to water from Dongjiang, which provides 70% - 80% of Hong Kong's fresh water supply, there have been the so-called "Three Express Trains" delivering food to Hong Kong since 1962, which is more than a commercial practice and shows our country's support for Hong Kong in maintaining the stability of our social development.<sup>27</sup>

34. Hong Kong people have long been involved in such work as charity, poverty alleviation, education and distress relief in the Mainland. Their generous donations and active voluntary work are a testimony to the goodwill and fraternity towards our fellow countrymen (see Annex 5).

### **Conflicts between Hong Kong and the Mainland in recent years**

35. The exchanges and co-operation between Hong Kong and the Mainland on various fronts are getting more and more frequent. Unfortunately, these exchanges have also led to an increase in the conflicts between some Hong Kong people and Mainlanders, and bred discontent among some people in Hong Kong.

36. In recent years, under the influence of nativism, an "anti-Mainlander" sentiment has emerged in the Hong Kong society. This "anti-Mainlander" sentiment was reflected in some incidents, including the "D&G" incident; the vitriolic remarks by Kong Qingdong; an upsurge in property prices

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<sup>27</sup> Lau Chi-pang, "The Study of Hong Kong History: Present Situation, Uses and Prospects", *Hong Kong and Macao Journal*, Volume 1, 2013

due to the purchases of Mainland buyers; Mainland pregnant women coming to Hong Kong for delivery, resulting in a shortage of beds for obstetric services and medical staff; a tight supply of powdered formula as well as congestion at the train stations caused by parallel traders; “Sheung Shui Retrocession” and “anti-locust” campaigns organised by some Hong Kong people targeting Mainland travellers (see Annex 6). The following may have contributed to this “anti-Mainlander” sentiment:

(1) Competition for interests

37. Some people in Hong Kong think that Mainlanders will compete with them for resources and welfare, thereby prejudicing their interests and quality of life. Examples are:

- (i) Medical services available to local residents are strained as a result of a recent upsurge in Mainland pregnant women, including expectant Mainland mothers whose husbands are not Hong Kong residents, coming to Hong Kong for delivery, using the obstetric services and overloading local hospitals. The situation has improved after the implementation of the “zero quota policy” on expectant Mainland mothers whose husbands are not Hong Kong residents giving birth in Hong Kong by the SAR government in 2013;
- (ii) There are reports of Mainland pregnant women defaulting on payment after giving birth in public hospitals in Hong Kong<sup>28</sup>;

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<sup>28</sup> In 2012-13, there were 379 cases of non-local pregnant women defaulted on payment after giving birth in public hospitals and the amount of arrears were HK\$10.2 million. Out of the default cases concerning non-local pregnant women, the Hospital Authority did not have a breakdown on the number of those Mainland pregnant women whose spouses were not permanent residents of Hong Kong. (Reply by the Secretary for Food and Health to the written question by the Hon Gary FAN at the LegCo meeting on 12 February 2014. <http://www.info.gov.hk/gia/general/201402/12/P201402120391.htm>)

Notwithstanding the “zero quota policy” implemented by the Government against expectant Mainland mothers whose husbands are not Hong Kong residents in January 2013 to forbid them from making advance booking for delivery services at public hospitals, the number of cases where non-local pregnant women defaulted on payment after giving birth were 379 in 2012-13, an increase by 51% when compared with 251 cases in the previous year. As regards the non-local pregnant women who defaulted on payment, many of them sought emergency admission to hospitals through the Accident & Emergency Departments for delivery. Therefore, some people in Hong Kong still harbour resentment against Mainland pregnant women for using our medical resources (Sing Tao Daily, 13 February 2014). “Non-local pregnant women defaulted hundreds of million dollars in seven years” <http://news.sina.com.hk/news/20140213/-1342-3187767/1.html>)

- (iii) A large number of parallel traders snapped up powdered formula for infants and young children in recent years to satisfy the demand of Mainland parents, which has led to serious shortage of powdered formula in Hong Kong. The SAR Government therefore announced on 1 February 2013 a series of measures to help stabilise the supply of powdered formula for infants and young children in Hong Kong, thereby protecting their health;
- (iv) In recent years, there have been misunderstandings that many Mainland youths are competing with local counterparts for subsidised university places<sup>29</sup>;

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<sup>29</sup> In the 2013/14 academic year, there were 78 848 and 10 432 students taking subsidised undergraduate and postgraduate programmes respectively at UGC-funded institutions. Of which, 6 575 undergraduate students and 4 853 postgraduate students were from the Mainland, accounting for 8.3% and 46.5% of the total number of students respectively (See Note 18). Regarding the influx of Mainland students to Hong Kong to pursue UGC-funded undergraduate and postgraduate programmes, some people in Hong Kong think that publicly-funded universities should nurture Hong Kong students and Mainland students are competing with the local students for education resources. Some netizens once placed an advertisement in a newspaper on this matter to express their dissatisfaction<sup>®</sup>. However, actually under the existing policy, institutions may enroll non-local students up to 20% of the approved student number of UGC-funded sub-degree, undergraduate and taught postgraduate programmes (whereby non-local students are primarily admitted by over-enrolment on top of the approved student number). As such, non-local students are required to pay tuition fee at a level that is at least sufficient to cover the direct additional cost. As for research postgraduate programmes, high-achieving students should be admitted on a merit basis, taking into account their abilities, regardless of their nationalities or races. To impose restrictions on the number of non-local students for the research postgraduate programmes would only pose hindrance to the academic development of the local higher education sector in their pursuit of excellence and lead to a loss of some of the high quality research talents and projects to other places. It should be noted that top universities from different parts of the world also admit a relatively larger proportion of non-local research postgraduate students.

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<sup>®</sup> The House News (20 June 2013) “Disgruntled netizens placed an advertisement in a newspaper to voice their resentment against Mainland students flooding the local universities”  
<https://thehousenews.com/politics/%E4%B8%8D%E6%BB%BF%E5%A4%A7%E5%AD%B8%E5%85%A7%E5%9C%B0%E7%94%9F%E9%81%8E%E5%A4%9A-%E7%B6%B2%E6%B0%91%E7%99%BB%E5%A0%B1%E8%A1%A8%E4%B8%8D%E6%BB%BF/>



- (v) Some Hong Kong people think that new arrivals are taking up local social resources such as housing, medical and welfare benefits<sup>30</sup>.

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<sup>30</sup> As at the end of 2011, there were altogether about 443 000 recipients of Comprehensive Social Security Assistance (CSSA)\*. Among them, about 17 200 were new arrivals<sup>#</sup>, making up about 3.9%<sup>@</sup> of the total number of recipients. In December 2013, the Court of Final Appeal handed down a judgement declaring the requirement for a person to have been a Hong Kong resident for at least seven years before he/she can apply for CSSA, put into effect by the Government in January 2004, unconstitutional. New arrivals can apply for CSSA after having lived in Hong Kong for one year subsequent to obtaining the Hong Kong resident status. Many Hong Kong people are worried that the decision will lead to a substantial increase in welfare expenditure, jeopardising the overall welfare system and other policies<sup>⊕</sup>.

In accordance with the prevailing policy, a person who reaches 18 years old can apply for public rental housing (PRH). The Housing Department imposes no specific residence requirement. However, to be eligible for allocation of a PRH flat, at least half of the family members in the application must have resided in Hong Kong for seven years.

As at end-December 2013, there were some 121 100 general applicants (i.e. family and elderly applicants) for PRH and about 122 200 non-elderly one-person applicants under the Quota and Points System (QPS). Among them, 6 300 general applicants and about 7 700 non-elderly one-person applicants under the QPS failed to meet the residence requirement. Their applications are therefore frozen. These applications made up about 5% and 6% of the total number of general applicants and non-elderly one-person applicants under the QPS respectively.

There is huge demand for public housing in Hong Kong. According to a report published by the Audit Commission on 30 October 2013 on the allocation and utilisation of PRH flats (Chapter 3 of Director of Audit's Report No. 61 : Allocation and Utilisation of PRH Flats [http://www.aud.gov.hk/pdf\\_e/e61ch03.pdf](http://www.aud.gov.hk/pdf_e/e61ch03.pdf)), as at late March 2013, among the general applicants for PRH, 29% have been waiting for a PRH flat for three years or more, and 7 % of them have been waiting for five years or more. PRH flats are allocated to non-elderly one-person applicants under the QPS and the three-year average waiting time target <sup>^</sup> is not applicable to them. However, the findings of the Audit Report showed that 30.4% of applicants have also been waiting for more than three years (see the article published on Ta Kung Pao on 14 November 2013 "30% of Hong Kong citizens wait more than 3 years for PRH" <http://hk.crntt.com/doc/1028/6/4/8/102864834.html?coluid=7&kindid=0&docid=102864834>). As regards a recent legal aid application filed by a woman having migrated to Hong Kong for five years for a judicial review to overturn the above requirement (see the article "New arrival applied Legal Aid to challenge PRH requirement" published on the Hong Kong Economic Times on 20 December 2013), many netizens voiced their discontent in online discussion forums (see Discuss.com.hk <http://news.discuss.com.hk/viewthread.php?tid=22786952> )

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\* Feature article on the *Hong Kong Monthly Digest of Statistics* (September 2012): Table 2 of the "Statistics on Comprehensive Social Security Assistance Scheme 2001-2011"  
<http://www.statistics.gov.hk/pub/B71209FB2012XXXXB0100.pdf>

# Feature article on the *Hong Kong Monthly Digest of Statistics* (September 2012): Table 10 of the "Statistics on Comprehensive Social Security Assistance Scheme 2001-2011"  
<http://www.statistics.gov.hk/pub/B71209FB2012XXXXB0100.pdf>

@ Before 17 December 2013, CSSA applicants must have been a Hong Kong resident for at least seven years. From 17 December 2013 onwards, the seven-year-Hong-Kong-resident requirement is no longer applicable; CSSA applicants have to comply with the one-year residence requirement.

Note:

- (1) Illegal immigrants or persons staying in Hong Kong for non-residence purposes (such as imported labour or visitor) are not eligible for CSSA.
- (2) Hong Kong residents under the age of 18 may be exempted from the above residence requirement.
- (3) Under exceptional circumstances, the Director of Social Welfare may exercise discretion to grant CSSA to applicants who fail to comply with the residence requirement.

⊕ Oriental Daily (23 December 2013) "Oriental Daily opinion poll: Hard pill for Hongkongers to swallow as CSSA policy compromised" [http://orientaldaily.on.cc/cnt/news/20131223/00176\\_098.html](http://orientaldaily.on.cc/cnt/news/20131223/00176_098.html)

<sup>^</sup> Under the established methodology, waiting time refers to the time taken between registration on the Waiting List and the first offer of a flat, excluding any frozen period during the application period (for example, when the applicant has not yet fulfilled the residence requirement; the applicant has requested to put his/her application on hold pending arrival of family members for family reunion; the applicant is imprisoned, etc). The Average Waiting Time for general applicants refers to the average of the waiting time of general applicants housed to PRH in the past 12 months.

- (vi) Soaring shop rentals in tourist districts, fueled by big spenders from the Mainland have priced small and medium shops out<sup>31</sup>;
- (vii) With regard to the soaring property prices, some people in Hong Kong perceive that it is the outcome of Mainlanders flocking to Hong Kong to snap up properties<sup>32</sup>;
- (viii) The influx of Mainland visitors to Hong Kong, together with parallel traders, has had an impact on the local environment, transport network, etc, and imposed a greater demand on various kinds of public facilities (e.g., there are reports of Mainland visitors competing with Hong Kong people over the use of campsites<sup>33</sup>). Some locals consider their daily life undermined, and that Hong Kong has no more capacity to receive additional number of Mainland tourists. The “anti-locust” episodes which took place in Canton Road, Tsim Sha Tsui, in February this year against Mainland visitors reflected the negative sentiment held by some Hong Kong people towards the visitors.

## (2) Cultural Differences

38. Some people in Hong Kong perceive that there is a different level of civility practised by the Mainlanders, alleging that some Mainland tourists do not observe local customs in Hong Kong. Some of them may talk loudly, behave in a disorderly and impolite manner, refuse to queue up, relieve themselves at will, and have an upstart mentality, etc<sup>34</sup>. Such views have raised concerns in the public after being reported by the media (including newspapers, magazines and new media).

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<sup>31</sup> An article on the *Hong Kong Economic Times* on 5 March 2012 “With 62% postgraduates from the Mainland, scholars whined on erosion of resources”  
<http://www.hket.com/eti/article/71dd3132-6170-4e10-bd7b-76baf9387f01-642602>

<sup>32</sup> “The ratio of Mainlanders snapping up local properties on the rise for nine years in succession”, *Singpao*, 17 February 2013  
[http://singpao.com/xw/yw/201302/t20130217\\_419199.html](http://singpao.com/xw/yw/201302/t20130217_419199.html)

<sup>33</sup> “Mainlanders occupying Pui O campsites to celebrate the arrival of the new year”, *Apple Daily*, 4 February 2014  
<http://hk.apple.nextmedia.com/news/art/20140204/18614250>

<sup>34</sup> “Quarrels arising from Mainlanders eating on the train”, Uwants Forum  
(<http://www.uwants.com/viewthread.php?tid=13670050&page=13>)

(3) *Flaunting of wealth*

39. While Hong Kong is said to have a wide wealth gap and many outstanding livelihood issues, the Mainland's rapid economic development has generated a considerable number of Mainlanders with strong consumption power. Some of them are keen to buy properties and goods in Hong Kong, particularly luxurious ones. Some people in Hong Kong are unhappy with such a consumption pattern, perceiving it as flaunting of wealth. As the difference in living standard between the two places is narrowing, some people in Hong Kong feel that their sense of superiority over the Mainlanders are gradually replaced by wariness and hostility<sup>35</sup>. Moreover, with its rapid economic growth, the Mainland is often the purchasing party in many trade deals. This, coupled with a "world power" mindset emerged following "the rise of Great China", has bred a "benefactor mentality" among some Mainlanders towards many other countries and regions, who regard mutually beneficial transactions as alms given by the purchasing party to the selling party. Such a "benefactor mentality" is particularly pronounced when it comes to Hong Kong, Macao and Taiwan, and can partly account for the discontent among Hong Kong people and the conflict between both sides<sup>36</sup>.

(4) *Resistance to be assimilated with the Mainland*

40. It has been 17 years since the Reunification and still many Hong Kong people have yet to fully identify with their national identity (see Annex 7). Some Hong Kong people attach great importance to the principles of "One Country, Two Systems", "Hong Kong people administering Hong Kong" and a high degree of autonomy. They are worried that further and closer co-operation with the Mainland may undermine these principles, resulting in Hong Kong being "assimilated" with the Mainland and losing its autonomy in planning for its future. For instance, during the Stage One Public Engagement of the "Study on the Action Plan for Livable Bay Area of the Pearl River Estuary" in 2011, there were disputes on whether Hong Kong was losing its autonomy in planning. The Stage Three Public Engagement of the planning for the North East New Territories New Development Areas also faced objection on the allegation that the project was partly intended to promote "integration

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<sup>35</sup> "Are the views on Mainlanders fair?", Golden discussion forum (<http://forum2.hkgolden.com/view.aspx?message=3602856>)

<sup>36</sup> "What breed the benefactor mentality among the Mainlanders", In Touch Today, qq.com, 19 February 2014 [http://view.inews.qq.com/a/NEW2014021901222202?cv=0x15000100&dt=1&lang=zh\\_CN&from=timeline&isappinstalled=0](http://view.inews.qq.com/a/NEW2014021901222202?cv=0x15000100&dt=1&lang=zh_CN&from=timeline&isappinstalled=0)

between the Mainland and Hong Kong” (See [Annex 6](#)). Some Hong Kong people perceive negatively that to forge closer cooperation and maintain harmony with the Mainland is tantamount to being “muted”. In addition, there are comments in the public arena that some people are increasingly in fear of communism as the Chinese economy has become more vibrant. Such comments have reinforced the resistance by some Hong Kong people towards assimilation with the Mainland.

41. The heightened sense of local consciousness in Hong Kong in recent years is one of the causes of the resistance by some Hong Kong people towards being assimilated. Against the background of the Hong Kong-born generation entering adulthood, the booming economy starting from the 1970s, as well as the rise of local popular culture (including cantopop, local movies and free TV), the local consciousness in Hong Kong has begun to take shape. In fact, political impacts such as the handover negotiations and the June 4<sup>th</sup> Incident in the 1980s also played a part in consolidating the identity of Hong Kong people. In the early days of the reunification, the principles of “One Country, Two systems” and “Hong Kong people administering Hong Kong” were well-received. This helped boost Hong Kong people’s confidence. These, coupled with patriotic propaganda (such as civic education, visits by Chinese Olympic gold medal athletes and astronauts, and the hosting of Beijing Olympic Games), had once overshadowed the identity of Hong Kong people. However, there is a tendency that the local consciousness is moving towards narrow nativism bordering on xenophobia in recent years<sup>37</sup>. Further economic co-operation and frequent exchanges between Hong Kong and the Mainland have caused some impacts on resources allocation, such as problems brought about by expectant Mainland mothers whose husbands are not Hong Kong residents, parallel traders and individual visitors; competition for hospital places, powdered formula and school places; as well as overcrowded MTR trains. Faced with these challenges, some Hong Kong people look back to the good old days under the rule of the British colonial government<sup>38</sup>. Under the impacts caused by closer relations between Hong Kong and the Mainland, the local nativism has developed on a political foundation characterised by a kind of self-defense

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<sup>37</sup> Lau Chi-pang, “The Study of Hong Kong History: Present Situation, Uses and Prospects”, *Hong Kong and Macao Journal*, Volume 1, 2013

<sup>38</sup> Lui Tai-lok, *The 70s that Rings a Bell*, Chung Hwa Book Company, Hong Kong, 2012

awareness in resistance to the Mainland and the fear of losing the existing systems, core values and lifestyles of Hong Kong<sup>39</sup> (see Annex 8).

42. While some Hong Kong people hold the above negative perception of the Mainlanders, some others still remain positive to the growing exchanges between Hong Kong and the Mainland. The latter holds that these exchanges are unstoppable and will bring mutual benefits to both Hong Kong and the Mainland on various fronts, for instances, the economic interaction between Hong Kong and the Mainland (see Annex 1), economic benefits brought by Mainland visitors (see Annex 2), consular protection to Hong Kong people in distress in foreign countries, as well as the supply of Mainland fresh water and food to Hong Kong (see Annex 4) etc<sup>40</sup>.

### **Way Forward**

43. With economic integration between Hong Kong and the Mainland, it is impossible for Hong Kong to detach itself from the development of the country and choose to strive for its own development. Hong Kong needs the vast Mainland market and resources to sustain its growth, while the Mainland needs Hong Kong to play a more active role in its development. Joint development of the two places to foster a synergy has become a general trend. Hong Kong can act as a “super-connector” for the Mainland in the latter’s future development. Hong Kong not only helps attract foreign investment to the Mainland, but also shows the way for Mainland enterprises to go global. Hong Kong will continue to flourish and grow in future if we can seize the historic opportunity and work along the direction of “leveraging the Mainland and engaging ourselves globally”.<sup>41</sup>

44. In the three decades or so since the beginning of the reform and opening up of the Mainland, Hong Kong’s relationship with the Mainland has evolved with the latter’s continuous development. Yet the general principle of mutual benefits and common development has remained unchanged. The 3<sup>rd</sup> Plenary Session of the 18<sup>th</sup> Communist Party of China Central Committee

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<sup>39</sup> Fong Chi-hang, Brian, “The more stabilisation efforts by Beijing, the less stabilised Hong Kong becomes – Identity of Hong Kong people as a self-defense to Mainland intervention” (*Ming Pao*, 14 March 2014)

<sup>40</sup> Chan Chiu-kwok, “Integration of Hong Kong and the Mainland: a boon for development” *Hong Kong Economic Journal* (4 October 2012)  
[https://www.hkej.com/template/property/php/detail.php?title\\_id=9433](https://www.hkej.com/template/property/php/detail.php?title_id=9433)

<sup>41</sup> Mok Ka-ho, Joshua and Huang Genghua “New Direction for Social Development of the Mainland and Hong Kong’s Role and Opportunity”, *Bauhinia Tribune*, Issue 14, March-April 2014

confirmed the direction of deepening reforms comprehensively. In this context, Hong Kong is well positioned to perform multiple roles in future.

45. As a world city, Hong Kong has multiple roles to play, including being an international financial centre, a modern services centre, an international trade centre, an international shipping centre, and a premier tourist and shopping destination. By leveraging the Mainland, our global outlook and the advantages of our own systems, Hong Kong will continue stepping up its bridging role for Mainland enterprises to “go global”. It will continue to provide an important and convenient platform and window for Mainland enterprises to tap the world market, to invest and explore business opportunities overseas, and to undertake mergers and acquisitions. It will also continue to serve as a key springboard for foreign enterprises to invest in the Mainland.

46. Having regard to Hong Kong’s status as the most internationalised global financial centre of the country, the Central Authorities have time and again confirmed Hong Kong’s role as an important testing ground for the Mainland’s financial reform and pledged support for Hong Kong to consolidate and elevate its position as an international financial centre. In this connection, it is essential for Hong Kong to support the Mainland’s financial reform policies by improving its own financial infrastructure for the internationalisation of the RMB, to develop a broad range of RMB products to meet the needs of foreign investors and capital markets, and to keep improving its RMB financial and risk management services so as to contribute to the country’s financial security. Under an early and pilot implementation approach, the Shanghai Pilot Free Trade Zone aims to facilitate the reform and development of our country, and serve as an important window for China to integrate into the global economy. Hong Kong should reflect on how to strengthen its advantage as an important financial centre in Asia and the way to interact and complement with the Shanghai Pilot Free Trade Zone. Besides, Hong Kong should figure out how to enhance its role as a platform for the outward mobility of the Mainland’s capital before the full liberalisation in the Mainland’s capital account. Besides, Premier Li Keqiang announced on 10 April 2014 that mutual stock market access between Hong Kong and Shanghai would be established, resulting in the two-way opening up of the capital markets of the two sides. Under this new mechanism, Mainland investors can trade stocks listed on the Stock Exchange of Hong Kong (SEHK) through the Shanghai Stock Exchange (SSE) directly. Similarly, Hong Kong and overseas investors can trade for the first time eligible stocks listed on the SSE through the SEHK directly. It will take six months to

prepare for the launch the pilot mechanism<sup>42</sup>. Hong Kong should fully grasp this opportunity for development, and continue to strengthen its role and status as both an international financial centre and offshore RMB centre.

47. Hong Kong has developed into a modern services centre which underpins its operations as an international centre of financial, trade and shipping services and is an important integrated platform in the Asia-Pacific region. Our service industries, which are highly internationalised and governed by sound systems, can actively complement and facilitate the Mainland's development. Hong Kong and the Mainland should continue to strengthen their co-operation, implement the liberalisation measures and extend their scope, so that Hong Kong's modern services can reach further into the Mainland.

48. As an international aviation and shipping centre and a regional logistics centre, Hong Kong can serve as a major hub for passenger and cargo transport to and from the Mainland and the rest of the world. In drawing up plans for country-wide shipping and road transport networks, the Central Authorities should have regard to Hong Kong's function as a hub so that Hong Kong enterprises can contribute more to the development of the Mainland.

49. The regional co-ordinated development model proposed by our country in recent years is consistent with the trend of an emergence of a regional economy involving Guangdong, Hong Kong and Macao. The Guangdong and Hong Kong governments have strived to promote the co-operative strategies put forth in the "Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)" (the Outline), escalating the Greater PRD Region into the most vibrant and globally competitive city-region in the Asia-Pacific region. The two governments jointly formulated the Framework Agreement on Hong Kong/Guangdong Co-operation, so as to translate the macro policies of the Outline into concrete measures conducive to the development of Hong Kong and Guangdong. Besides, both sides have implemented the regional co-operation plan on Building a Quality Living Area, aiming at improving the living environment in the Greater PRD Region by drawing up measures in the areas of environment and conservation, low-carbon development, spatial organisation, personnel exchange, transportation, and culture and livelihood issues. Hong Kong can build environmental protection into the economic development and industrial structure of both places by introducing advanced technologies,

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<sup>42</sup> From news.gov.hk  
[http://www.news.gov.hk/en/categories/finance/html/2014/04/20140410\\_155712.shtml?pickList=highlight](http://www.news.gov.hk/en/categories/finance/html/2014/04/20140410_155712.shtml?pickList=highlight)

transferring management expertise and systems, facilitating scientific research, and leveraging on the production base in the Greater PRD Region. Other examples include the above-mentioned “Study on the Action Plan for Livable Bay Area of the Pearl River Estuary” commissioned by the Governments of Hong Kong, Guangdong and Macao, which commenced in April 2010 and provided a liaison and communication platform for the Governments of the three places to explore ways to turn the Bay Area of the Pearl River Estuary into a core area with quality living which was favourable to prosperous economic development, and the “Planning and Engineering Study on Development of Lok Ma Chau Loop” jointly commissioned by the Governments of Hong Kong and Shenzhen, which was to formulate a comprehensive land use and development plan for the Lok Ma Chau Loop mainly for higher education complemented with high-tech research and development as well as cultural and creative industries. With the rapid growth in the PRD, Guangdong and Shenzhen are expected to surpass Hong Kong in terms of the GDP in 2015-16. It is necessary for Hong Kong to revisit its economic and industry relations with Guangdong. We also need to strive to maintain our leading position in the PRD Region and extend the coverage and radius of Hong Kong’s lifestyle and production related service.<sup>43</sup>

50. Hong Kong’s systems, institutions and management on the economic, administrative and social fronts are of world class standard and have all along been a model for the Mainland. Hong Kong can continue to offer invaluable experience for the Mainland’s reference in its drive for modernisation and institutional reform.

51. Cities and towns in the Mainland are going through rapid development, thanks to the thriving economy. Hong Kong, as a small yet densely populated international metropolis, has much to share with the Mainland in terms of urban development. Mainland authorities at provincial or city levels are sending delegations to Hong Kong to study our policies and practices of municipal, transport and building management. Hong Kong’s civil service system and experience on fighting against corruption also provide good examples for the Mainland to learn from.

52. Hong Kong has cultivated deep-rooted networks with the international community (especially with Europe, the US and East Asia regions) on economic and trading, professional and cultural fronts. The Central

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<sup>43</sup> Zhang Yuge and Guo Wanda, “Challenges and choice of strategies in the future development of the Hong Kong economy”, *Hong Kong and Macao Journal*, Issue 1, 2013



Government has also been supportive for Hong Kong to participate in international affairs. Hong Kong, positioned itself as Asia's world city, should capitalise on the economic and trading, social and cultural co-operation it has established and assist in boosting China's soft power within the region to promote regional co-operation.

53. As regards co-operation within the East Asia region, China is currently the largest trading partner of the Association of Southeast Asian Nations (ASEAN), while ASEAN is the third largest trading partner of China. The co-operation between China and ASEAN on economic and trade matters has achieved significant results and co-operation in other areas are also expanding and deepening. The China-ASEAN Free Trade Area (CAFTA) was established in 2010 and tariffs are being progressively eliminated for trade in goods between China and the 10 member states of ASEAN. In 2013, bilateral trade between China and ASEAN exceeded US\$440 billion, an increase of 5.7 times over that in 2003 with an average annual increase of nearly 20%.<sup>44</sup> As prominent financial, trading, logistics centres and entrepot in the region, Hong Kong should play a part in the regional economic integration. With a view to enabling our goods, services and investments to access the ASEAN market under more favourable conditions, Hong Kong, with the support of the Central Government, put forward a formal request to ASEAN in 2011 to join the CAFTA. In March 2013, ASEAN counter-proposed the pursuit of a bilateral FTA with Hong Kong. Subsequently, both sides agreed in April 2013 to pursue a Hong Kong-ASEAN FTA. Formal negotiations will commence in July this year.<sup>45</sup> There is enormous room for market expansion in ASEAN with its over 600 million population. To pursue economic development, ASEAN needs to strengthen its partnership with China and facilitate free trade in the region. As a free trade port, Hong Kong can play an active role in the process. Hong Kong will capitalise on the co-operation between the Mainland and ASEAN to foster greater co-operation and development with ASEAN.

54. Frequent exchanges between Hong Kong and the Mainland in recent years have ignited conflicts between Hong Kong people and Mainlanders and sowed discontent among some local residents. We should handle these conflicts and sentiments in a positive manner. The cultural differences between

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<sup>44</sup> China Customs Statistics (Monthly) (December 2003) and China Customs Statistics (Monthly) (December 2013)

<sup>45</sup> Trade and Industry Department (2013), Legislative Council Brief, "Proposed free trade agreement between Hong Kong and the Association of Southeast Asian Nations".  
<http://www.legco.gov.hk/yr12-13/chinese/panels/ci/papers/ci-crwt324912-c.pdf>

the two places have stirred up conflicts. However, people from both sides can also take the opportunities to learn from each other. It is envisaged that, with the passage of time and by continuous learning, the cultural gap between two places can be closed. Instead of antagonising the Mainlanders, Hong Kong people should look squarely at the problems arising from the further and closer ties between Hong Kong and the Mainland. Hong Kong, as an international city, should be able to accept and respect different cultures<sup>46</sup>.

55. In response to the public concerns about the impact of the continuous growth in visitor arrivals on the livelihood of the community, the HKSAR Government has comprehensively assessed Hong Kong's capacity to receive tourists. The areas taken into account include the handling capacity of boundary control points, capacity of tourism attractions, receiving capacity of hotels, carrying capacity of public transport network, impact on the livelihood of the community, and economic impact, etc. The Assessment Report on Hong Kong's Capacity to Receive Tourists (the Assessment Report) was completed at the end of last year. On the basis that the projected visitor arrivals would be over 70 million in 2017, the assessment suggests that Hong Kong would generally be able to receive the visitor arrivals in 2017. Hotel rooms, however, would continue to be in tight supply. The HKSAR Government will continue to increase the supply of hotel rooms through a multi-pronged approach, and to enhance our capacity to receive tourists on various fronts. Along the recommendations in the Assessment Report, the HKSAR Government is adopting a three-pronged approach, including continuous enhancement of our capacity to receive tourists; developing specialised tourism clusters to attract high value-added visitor segments to visit Hong Kong; and strengthening promotion of tourist attractions in different districts to alleviate congestion at traditionally popular tourist areas, with a view to facilitating the long-term and stable development of our tourism industry. After the release of the Assessment Report by the HKSAR Government in January 2014, the community continued to express concerns about Hong Kong's capacity to receive tourists. On 4 April 2014, the Chief Executive said that the HKSAR Government is looking into means to adjust the growth in visitor arrivals and the composition of visitors, and would announce the outcome as soon as possible upon liaison with the Central Government and relevant Mainland authorities.

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<sup>46</sup> "Integration of Hong Kong and the Mainland: promotion of Hong Kong-isation in the Mainland may bridge cultural gap", *Ming Pao*, 19 April 2012

56. Since the Reunification, the HKSAR Government has been making vigorous efforts to deepen the public's understanding of our country, "One Country, Two Systems", and the Basic Law. The HKSAR will continue to do so in the future.

57. In the global context, the Mainland is a place full of opportunities and a target market for many enterprises. Hong Kong enterprises and talents seeking development opportunities in the Mainland can leverage the advantage of our geographical proximity. With the availability of the "China opportunities", Hong Kong should study how to work more proactively to deal with the integration at both national and regional levels and how to enhance Hong Kong's inherent competitive edges. At the same time, Hong Kong should develop new strengths to complement the need of our country in the new economic contest. By consolidating its strengths, Hong Kong can create better employment opportunities, for the locals and young people in particular, in its drive to assist our country's development and hence promote Hong Kong's economic restructuring and upgrading.<sup>47</sup> In the midst of globalisation, Hong Kong cannot afford to close its doors to others. In the face of international challenges, we cannot tackle them solely on our own, but should capitalise on the international status and economic power of our country. The interaction between the Mainland and Hong Kong should be based on mutual respect, understanding, interdependence, reliance and support. While pursuing their own benefits, both sides should have regard to the interests of the other party. Fostering closer ties with the Mainland does not mean Hong Kong "being assimilated", nor does it mean to abandon the principle of "One Country, Two Systems". Instead, it means further co-operation to bring mutual benefits and complementarity advantages.

## **DISCUSSION**

58. Members are invited to give their views on the relationship between Hong Kong and the Central Government/Mainland<sup>48</sup>.

## **Secretariat to the Commission on Strategic Development May 2014**

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<sup>47</sup> Lui Tai-lok, "So close and so far: structural changes and discrepancy of expectations", *Hong Kong and Macao Journal*, Issue 1, 2013

<sup>48</sup> See [Annex 9](#).

## **The Economic Interaction between the Mainland and Hong Kong**

Hong Kong and the Mainland are each other's major **trading partner**. Since the Mainland's reform and opening-up, its share of Hong Kong's global trade had increased significantly from 9.3% in 1978 to 51.1% (HK\$3,891.4 billion or US\$501.7 billion) in 2013. It has been Hong Kong's largest trading partner since 1985. Hong Kong was the Mainland's second largest trading partner (after the United States) in 2013, and their total trade value accounted for 9.6% of the Mainland's total trade.

2. Hong Kong was the Mainland's largest **export market**, taking up 17.4% (HK\$2,984.4 billion or US\$384.8 billion) of its total exports in 2013. The Mainland has been Hong Kong's largest supplier in goods since 1982. The value of Hong Kong's total imports from the Mainland was HK\$1,942.1 billion (US\$250.4 billion), accounting for 47.8% of Hong Kong's total imports in 2013. Major imports were telecommunications and sound recording and reproducing apparatus and equipment, electrical machinery, apparatus and appliances, office machines, automatic data processing machines, articles of apparel and clothing accessories, and professional, scientific and controlling instruments and apparatus, etc.

3. In 2013, the Mainland was Hong Kong's largest domestic export market, absorbing HK\$24.8 billion (US\$3.2 billion) worth of goods, or 45.6% of our total domestic exports. Major domestic exports were plastics in primary forms, medicinal and pharmaceutical products, machinery specialised for particular industries, electrical machinery, apparatus and appliances, and pulp and waste paper, etc.

4. Given its strategic geographical location, well-developed infrastructure and international communication network, Hong Kong plays an important **entrepot** role for the trade between the Mainland and the rest of the world. In 2013, the value of goods re-exported through Hong Kong from and

to the Mainland was HK\$3,130.2 billion (US\$403.6 billion), accounting for 89.3% of Hong Kong's total re-export trade value.<sup>1</sup>

5. From 2004 to 2013, domestic exports to the Mainland dropped from \$37.9 billion to \$24.8 billion. During the same period, the value of imports from the Mainland surged from \$918.3 billion to \$1,942.1 billion, averaging an annual growth rate of 8.7%. In general, the annual change in the value of imports from the Mainland has all along been positive during the past decade except for 2009, when a decrease of 11.4% was recorded. The trend in import trade has also been echoed in re-export trade.

6. Hong Kong is an important location for the Mainland **interests**. The Mainland was Hong Kong's largest source of inward direct investment. At end-2012, investment from the Mainland accounted for about 37.0% or HK\$3,568.3 billion (US\$460.4 billion) of the total stock of Hong Kong's inward direct investment. As at 1 June 2013, there were 114 Mainland enterprises with regional headquarters in Hong Kong. They were mainly engaged in financing and banking, import/export trade, wholesale and retail, transportation, storage and courier services, and professional, business and educational services, etc. Another 148 Mainland enterprises had set up regional offices in Hong Kong to oversee the operations of various offices in the region. As at 31 March 2014, 19 of the 158 licensed banks in Hong Kong were of Mainland interests. In the deposit-taking business, two of the 21 restricted licence banks and three of the 23 deposit-taking companies were of Mainland interests.

7. Hong Kong is the largest foreign investor in the Mainland. Hong Kong was the Mainland's largest source of realised foreign direct investment, accounting for about 47.9% of the national total as at end-February 2014, with the cumulative value reaching HK\$5,257.6 billion (US\$678.4 billion). Hong Kong's investments in the Mainland concentrate largely in the Guangdong Province. At end-2013, the cumulative value of Hong Kong's realised direct investment in Guangdong was estimated at HK\$1,566.942 billion (US\$200.89 billion), accounting for 61.9% of Guangdong's total. According to the statistics of the Guangdong Province, a cumulative total of 125 323 Hong Kong-invested enterprises have been approved by the Guangdong Province as at end-2013.

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<sup>1</sup> Fact Sheets – The Mainland of China and Hong Kong Special Administrative Region Some Important Facts (March 2014). Trade and Industry Department. Retrieved from: <http://www.tid.gov.hk/english/aboutus/publications/factsheet/china.html>

8. On 29 June 2003, the Mainland and Hong Kong concluded the first free trade agreement -- CEPA. Since the implementation of CEPA on 1 January 2004, the two sides have been adopting a building block approach to expand the scope and content of CEPA. The latest Supplement X to CEPA was signed on August 29, 2013, under which liberalisation measures for trade in services came into effect on 1 January 2014. The new package provides for a total of 73 services liberalisation and trade and investment facilitation measures, which include 65 liberalisation measures for trade in services, and eight measures to strengthen co-operation in areas of finance and facilitate trade and investment of the two places.

9. CEPA covers 3 broad areas:

- (1) Trade in goods - All goods of Hong Kong origin importing into the Mainland enjoy tariff free treatment, upon applications by local manufacturers and upon the CEPA rules of origin (ROOs) being agreed and met.
- (2) Trade in services - Hong Kong service suppliers enjoy preferential treatment in entering into the Mainland market in various service areas. Professional bodies of Hong Kong and the regulatory authorities in the Mainland have also signed a number of agreements or arrangements on mutual recognition of professional qualification.
- (3) Trade and investment facilitation - Both sides agreed to enhance co-operation in various trade and investment facilitation areas to improve the overall business environment.<sup>2</sup>

10. Under CEPA, Hong Kong service suppliers can enjoy preferential treatments in various service sectors in gaining access to the Mainland market. On trade in goods, the Mainland has given all goods of Hong Kong origin (except prohibited articles) tariff free treatment, upon applications by local manufacturers and upon the mutually agreed CEPA rules of origin being met. On trade and investment facilitation, both sides have agreed to enhance co-operation in 10 areas, namely trade and investment promotion; customs clearance facilitation; commodity inspection and quarantine, food safety, quality

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<sup>2</sup> Mainland and Hong Kong Closer Economic Partnership Arrangement from the website of the Trade and Industry Department:  
[http://www.tid.gov.hk/english/cepa/cepa\\_overview.html](http://www.tid.gov.hk/english/cepa/cepa_overview.html)

and standardization; electronic business; transparency in laws and regulations; cooperation of small and medium enterprises; cooperation in industries; protection of intellectual property; cooperation on branding; and cooperation on education<sup>3</sup>.

11. Last year marked the 10<sup>th</sup> anniversary of CEPA. The Chief Executive concluded that, over the past decade, the country has further opened its market to Hong Kong's professional services under CEPA to different extents, offering our professionals more opportunities for development in the Mainland. This short period of 10 years saw rapid development of our professional services sector in the Mainland, which has now become the sector's biggest market outside Hong Kong. For some professions, fee revenues are higher in the Mainland than in Hong Kong. He pointed out that the implementation of CEPA and the supplements signed in the ensuing years has not only helped our professional services sector explore new horizons, but also benefited other major industries in Hong Kong, including finance, trade and industry and tourism. Making full and better use of CEPA is indeed essential to Hong Kong's economic development<sup>4</sup>.

12. The relevant progress includes:

- (1) As at 31 March 2014, over 2 700 Hong Kong Service Supplier Certificates have been issued to more than 1 500 Hong Kong enterprises.
- (2) Specific examples of the development of local professional industries in the Mainland under CEPA are:
  - Hong Kong service suppliers or local medical practitioners who have obtained medical practitioner's qualification certificate of the Mainland are allowed to set up medical institutions in various places in Guangdong under CEPA;
  - Different Hong Kong law firms have operated in association with Mainland law firms in different places, such as Beijing, Guangzhou and Tianjin, etc.; and

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<sup>3</sup> Hong Kong – The Fact: Trade and Industry (September 2013)  
<http://www.gov.hk/en/about/abouthk/factsheets/docs/trade&industry.pdf> ◦

<sup>4</sup> Chief Executive of HKSAR: Tenth anniversary of CEPA  
<http://www.ceo.gov.hk/eng/blog/blog20130630.html> ◦

- Over 1 000 Hong Kong professionals in construction and related disciplines have obtained the relevant Mainland qualifications through the mutual recognition.
- (3) As at June 2013, Hong Kong residents have established more than 5 400 individually owned stores in the Mainland, with registered capital amounting to RMB 480 million.
- (4) Since the introduction of the Individual Visit Scheme (IVS) in 2003, it has now been extended to 49 Mainland cities. As at February 2014, more than 130 million Mainlanders have visited Hong Kong under the IVS. (Please refer to Annex 2 for the tourism industry and the IVS)

13. CEPA adheres to the principle of "mutual benefits and complementary advantages"<sup>5</sup>. There is strong complementarity between the industries in Hong Kong and the Mainland due to their differences. As a free trade agreement, CEPA, after its implementation, can help further promote the free flow of the factors of production in the two places, optimise resource allocation, and facilitate the adjustment of industrial structure and economic growth of the two places. In this connection, CEPA not only has a positive impact on Hong Kong, but also promotes the economic development of various regions in the Mainland. According to a rough analysis, the impact of CEPA on the Mainland economy can generally be found in the following areas: (1) Hong Kong and Macao's expanded investment in the Mainland further promotes the upgrading and restructuring of the industries in the Mainland and enhances their competitiveness from a macro perspective; (2) it is beneficial to the development of small and medium enterprises in the Mainland, Hong Kong and Macao; (3) The lowered thresholds provide incentive to attract the flow of Hong Kong and Macao capital to the central and western region of the Mainland and hence promote the economic development of the region; and (4) it lays the foundation for the economic integration of the three places.

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<sup>5</sup> Han Lu (2009), "The impact of CEPA on the Mainland economy and cross-strait economic relations", Popular Business, Issue 08, 2009.  
<http://www.zclw.net/article/sort015/sort020/info-39649.html>



**Tourism Industry and Individual Visit Scheme****Tourism Industry**

The tourism industry is a major pillar of the economy of Hong Kong. In 2011, it contributed to 4.5% of Hong Kong's Gross Domestic Product (GDP). The tourism industry employs around 233 500 persons, accounting for 6.5% of our total employment. The percentage share of the tourism industry in GDP from 2006 to 2011 is set out in the table below:

<b>Year</b>	<b>Percentage share of the tourism industry in GDP</b>
<b>2006</b>	3.2%
<b>2007</b>	3.4%
<b>2008</b>	2.8%
<b>2009</b>	3.2%
<b>2010</b>	4.3%
<b>2011</b>	4.5%

Source: Hong Kong Annual Digest of Statistics 2013 Edition

2. In the past ten years, there has been a continuous growth in the overall visitor arrivals. Among these, the percentage of Mainland visitors increased from about 50% in the beginning to over 70% in 2013. The overall visitor arrivals and Mainland visitor arrivals from 2003 to 2013 are set out in the table below:

<b>Year</b>	<b>Total visitor arrivals (year-on-year change) (million)</b>	<b>Total Mainland visitor arrivals (year-on-year change) (million)</b>	<b>Percentage of Mainland visitor arrivals</b>
<b>2003</b>	15.54 (-6.2%)	8.47 (+24.1%)	54.5%
<b>2004</b>	21.81 (+40.4%)	12.25 (+44.6%)	56.1%
<b>2005</b>	23.36 (+7.1%)	12.54 (+2.4%)	53.7%
<b>2006</b>	25.25 (+8.1%)	13.59 (+8.4%)	53.8%

<b>Year</b>	<b>Total visitor arrivals (year-on-year change) (million)</b>	<b>Total Mainland visitor arrivals (year-on-year change) (million)</b>	<b>Percentage of Mainland visitor arrivals</b>
<b>2007</b>	28.17 (+11.6%)	15.49 (+13.9%)	55.0%
<b>2008</b>	29.51 (+4.7%)	16.86 (+8.9%)	57.1%
<b>2009</b>	29.59 (+0.3%)	17.96 (+6.5%)	60.7%
<b>2010</b>	36.03 (+21.8%)	22.68 (+26.3%)	63.0%
<b>2011</b>	41.92 (+16.4%)	28.10 (+23.9%)	67.0%
<b>2012</b>	48.62 (+16.0%)	34.91 (+24.2%)	71.8%
<b>2013</b>	54.30 (+11.7%)	40.75 (+16.7%)	75.0%

Source: The Hong Kong Tourism Board

### **Individual Visit Scheme**

3. The Individual Visit Scheme (IVS) was applied only to four Guangdong cities (Dongguan, Zhongshan, Jiangmen and Foshan) when it was first introduced on 28 July 2003. The IVS was expanded a few times from July 2003 to January 2007 and now covers 49 Mainland cities, including all cities in Guangdong Province, the main cities in the Pan-Pearl River Delta Region as well as municipalities such as Beijing and Shanghai. The number of cities under the IVS has remained at 49 since January 2007. Mainland residents from regions outside the 49 cities who wish to visit Hong Kong have to apply for endorsements for group visit to Hong Kong, and join group tours at their respective places of residence or in Shenzhen.

4. In April 2009, the Central Government implemented a measure to allow eligible Shenzhen permanent residents to apply for one-year multiple-entry Individual Visit Endorsements to visit Hong Kong. In December 2009, the Central Government implemented another measure to allow eligible non-Guangdong permanent residents ordinarily residing in Shenzhen to apply for Individual Visit Endorsements in Shenzhen to visit Hong Kong. On 15 December 2010, the measure was extended to cover most of the non-Guangdong permanent residents working in Shenzhen, making it more convenient for Shenzhen residents to visit Hong Kong.

5. The Ministry of Public Security announced at the end of August 2012 that starting from 1 September 2012, a new measure providing convenience for entry and exit would be implemented. Under the new measure, workers or tertiary students who are non-permanent residents of but ordinarily reside in Beijing, Tianjin, Shanghai, Chongqing, Guangzhou and Shenzhen would be allowed to apply for various entry and exit documents (including Exit-Entry Permits for Travelling to and from Hong Kong and Macao as well as various types of exit endorsements for visiting Hong Kong) at their usual place of residence. Non-permanent residents of Shenzhen can also apply for one-year multiple-entry Individual Visit Endorsements in Shenzhen.

6. The announcement generated concerns in Hong Kong. The Chief Executive (CE) announced in September 2012 that the relevant Mainland authorities would liaise and work closely with the HKSAR Government to ascertain the receiving capacity of Hong Kong before considering implementing multiple-entry Individual Visit Endorsements for non-permanent residents of Shenzhen and arranging the orderly issuance of exit endorsements for non-permanent residents (i.e. one-entry or two-entry endorsements) in six cities.

### **IVS Visitor Arrivals**

7. The IVS has led to increases in Mainland visitor arrivals. In 2002, before the launch of the IVS, there were about 6.8 million Mainland visitors coming to Hong Kong. After the implementation of the IVS, there were 40.75 million Mainland visitors coming to Hong Kong in 2013, representing an increase by 16.7% over 2012. Among these, 67% (about 27.46 million) were IVS visitors. The visitor arrivals under the IVS in the past years are set out in the table below:

<b>Year</b>	<b>Visitor arrivals under the IVS* (' 000)</b>	<b>Percentage Growth</b>	<b>Percentage of Mainland visitors</b>	<b>Percentage of all visitors to Hong Kong</b>
<b>28 July to 31 December 2003</b>	667	-	-	-
<b>2004</b>	4 260	-	34.8%	19.5%
<b>2005</b>	5 550	30.3%	44.3%	23.8%
<b>2006</b>	6 673	20.2%	49.1%	26.4%
<b>2007</b>	8 593	28.8%	55.5%	30.5%
<b>2008</b>	9 619	11.9%	57.0%	32.6%

Year	Visitor arrivals under the IVS* (' 000)	Percentage Growth	Percentage of Mainland visitors	Percentage of all visitors to Hong Kong
2009	10 591	10.1%	59.0%	35.8%
2010	14 244	34.5%	62.8%	39.5%
2011	18 344	28.8%	65.3%	43.8%
2012	23 141	26.2%	66.3%	47.6%
2013	27 465	18.7%	67.4%	50.6%
<b>Total from 28 July 2003 to 31 December 2013</b>	<b>129 148</b>	-	-	-

\* Figures may not add up to total due to rounding.

\* Source: The Hong Kong Tourism Board

## Impact of the IVS on Hong Kong's Economy

8. The IVS has contributed to the overall Hong Kong economy. According to the *Assessment Report on Hong Kong's Capacity to Receive Tourists*<sup>1</sup>, in 2012, the IVS visitors' spending directly generated \$26.1 billion in value addedness (equal to 1.3% of GDP) and over 110 000 jobs (3.1% of total employment). Amongst the sectors directly benefited from the IVS, the IVS contributed the most to the retail sector in terms of value addedness, followed by the hotel sector. Also, in the course of their operations, these economic sectors generated demands for services of other sectors, which further contributed to the overall economy.

### *Assessment Report on Hong Kong's Capacity to Receive Tourists*

9. In response to the public concerns about the impact of the continuous growth in visitor arrivals on the livelihood of the community, the HKSAR Government has comprehensively assessed Hong Kong's capacity to receive tourists. The areas taken into account include the handling capacity of boundary control points, capacity of tourism attractions, receiving capacity of hotels, carrying capacity of public transport network, impact on the livelihood of the

<sup>1</sup> The Commerce and Economic Development Bureau (December 2013). *Assessment Report on Hong Kong's Capacity to Receive Tourists* at [http://www.tourism.gov.hk/resources/english/paperreport\\_doc/misc/2014-01-17/Assessment\\_Report\\_eng.pdf](http://www.tourism.gov.hk/resources/english/paperreport_doc/misc/2014-01-17/Assessment_Report_eng.pdf)

community, and economic impact, etc. *The Assessment Report on Hong Kong's Capacity to Receive Tourists* was completed at the end of last year.

10. On the basis that the projected visitor arrivals would be over 70 million in 2017, the assessment suggests that Hong Kong would generally be able to receive the visitor arrivals in 2017. Hotel rooms, however, would continue to be in tight supply. The HKSAR Government will continue to increase the supply of hotel rooms through a multi-pronged approach, and to enhance our capacity to receive tourists on various fronts. Along the recommendations in the Assessment Report, the HKSAR Government is adopting a three-pronged approach including continuous enhancement of our capacity to receive tourists; developing specialised tourism clusters to attract high value-added visitor segments to visit Hong Kong; and strengthening promotion of tourist attractions in different districts to alleviate congestion at traditionally popular tourist areas, with a view to facilitating the long-term and stable development of our tourism industry.

11. After the release of the Assessment Report by the HKSAR Government in January 2014, the community continued to express concerns about Hong Kong's capacity to receive tourists. On 4 April 2014, the Chief Executive said that the HKSAR Government is looking into means to adjust the growth in visitor arrivals and the composition of visitors, and would announce the outcome as soon as possible upon liaison with the Central Government and relevant Mainland authorities.

**Population Profile**

Hong Kong has always been a city of immigrants. Findings of population census conducted by the Census and Statistics Department show that about one-third of Hong Kong's population are from the Mainland. Many Hong Kong people have relatives living on the Mainland. Ties between the two places are close.

**Table 1 Population by Place of Birth**

Reference period	Place of Birth			
	Hong Kong	China(other than Hong Kong)	Others	Total
2001	4 004 894	2 263 571	433 924	6 708 389
2006	4 138 844	2 298 956	426 546	6 864 346
2011	4 278 126	2 267 917	525 533	7 071 576

Source: 2001, 2006 and 2011 Population Census, Census and Statistics Department

2. According to information from the Census and Statistics Department<sup>1</sup>, Hong Kong's fertility showed a declining trend over the past 31 years. The annual number of live births in Hong Kong dropped steadily from 86 751 in 1981 to 46 965 in 2003 and then rebounded to 91 558 in 2012. The number of deaths rose from 24 832 to 43 672 over the same period. Although the rate of natural increase remains low, thanks to the inflow of immigrants, Hong Kong's population rose by 39% from 5.1 million in 1981 to 7.1 million in 2011.

**Table 2 Population and Average Annual Growth Rate, 1981-2011**

	1981	1986	1991	1996	2001	2006	2011
Population	5 109 812 <sup>(1)</sup>	5 495 488 <sup>(2)</sup>	5 674 114 <sup>(3)</sup>	6 412 937 <sup>(4)</sup>	6 708 389 <sup>(4)</sup>	6 864 346 <sup>(4)</sup>	7 071 576 <sup>(4)</sup>
Net increase	706 822	385 676	178 626	543 442 <sup>(5)</sup>	295 452 <sup>(4)</sup>	155 957 <sup>(4)</sup>	207 230 <sup>(4)</sup>
Average annual growth rate over the past 5 years (%)	3.3	1.5	0.6	1.8 <sup>(5)</sup>	0.9 <sup>(4)</sup>	0.4 <sup>(4)</sup>	0.6 <sup>(4)</sup>

Notes (1) The figure includes 123 252 residents temporarily away from Hong Kong at the time of the 1981 Population Census conducted in March 1981.

(2) The figure includes 99 491 residents temporarily away from Hong Kong at the time of the 1986 Population Census conducted in March 1986.

<sup>1</sup> Census and Statistics Department (December 2013). Feature Article of Hong Kong Monthly Digest of Statistics: The Fertility Trend in Hong Kong, 1981 to 2012. Extracted from <http://www.statistics.gov.hk/pub/B71312FA2013XXXXB0100.pdf>.

- (3) The figure includes 151 833 residents temporarily away from Hong Kong at the time of the 1991 Population Census conducted in March 1991.
- (4) The figures are compiled based on the “resident population” approach.
- (5) The figures refer to residents in Hong Kong at the census/by-census moment, including those who were temporarily away from Hong Kong. The population figure compiled on this basis at the 1996 Population By-census was 6 217 556.

Source : 2011 Population Census Office  
Census and Statistics Department  
The Government of the Hong Kong Special Administrative Region  
(Enquiry telephone no.: 2716 8025, email: census@censtatd.gov.hk)

3. A study shows<sup>2</sup> that the growth of our population relies much on immigration, the bulk of which is admitted through the One Way Permit (OWP) Scheme. In the period between 1983 and 2006, over 960 000 Mainland new arrivals were admitted under the scheme, which represents about 14% of the population of 6.86 million in 2006 and over 70% of the growth in population over that period.

4. The Hong Kong Population Projections 2012-2041<sup>3</sup> of the Census and Statistics Department states that this trend will be maintained. Over the entire period from mid 2011 to mid 2041, our overall population is projected to increase by 1.4 million. There is a natural decrease (i.e. deaths less births) of 38 000 and a net movement (i.e. inflow less outflow) of 1.44 million. The Hong Kong population is projected to reach 8.47 million by then.

5. The Report of the Task Force on Population Policy<sup>4</sup> published by the Government in 2003 points out that the growth of our population relies much on immigration, the bulk of which is admitted through the OWP Scheme. As a scheme mainly devised to facilitate family reunion, it is neither appropriate nor feasible to impose screening criteria. We have very little control over the quality of our intake. The Task Force recommended to review the daily 150-OWP quota and the quota allocation among the three categories regularly with a view to reducing, in consultation with relevant Mainland authorities, the quota at some stage when demand falls. To attract talent to Hong Kong, the Task Force also suggested relaxing the admission restrictions for Mainland talent and professionals to work and settle locally. The Task Force also

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<sup>2</sup> Bauhinia Foundation Research Centre (2008). The Past and Future of the One Way Permit Scheme in the Context of a Population Policy for Hong Kong. Extracted from [http://www.bauhinia.org/pdf/research/20080828/OWP\\_Report.pdf](http://www.bauhinia.org/pdf/research/20080828/OWP_Report.pdf).

<sup>3</sup> Census and Statistics Department (2012). Hong Kong Population Projections 2012-2041. Extracted from [http://www.censtatd.gov.hk/fd.jsp?file=B1120015052012XXXXB0100.pdf&product\\_id=B1120015&lang=2](http://www.censtatd.gov.hk/fd.jsp?file=B1120015052012XXXXB0100.pdf&product_id=B1120015&lang=2).

<sup>4</sup> Report of the Task Force on Population Policy (2003). Extracted from [http://www.info.gov.hk/info/population/eng/pdf/report\\_eng.pdf](http://www.info.gov.hk/info/population/eng/pdf/report_eng.pdf).

proposed providing more flexibility and incentive to tertiary institutions to attract academics and students from the Mainland and overseas.

6. Over the years, the Government has put in place various schemes targeted towards different talent groups, including the General Employment Policy, the Admission Scheme for Mainland Talents and Professionals and the Quality Migrant Admission Scheme. Talented people and professionals admitted under the General Employment Policy and the Admission Scheme for Mainland Talents and Professionals make up around 2% of the local workforce. Of the some 85 700 imported talent and professionals working in Hong Kong in August 2013, about 32 000 (or 38%) have stayed for three or more years.

7. The Immigration Arrangements for Non-local Graduates (IANG) leverages this advantage to attract talent from the Mainland and around the world to come to study and remain here. Such non-local graduates can remain in Hong Kong for up to a year after finishing their degrees to look for a job. Thereafter, they can continue to remain in Hong Kong as long as they are in employment. In 2012, around 6 800 new applications were approved. About 80% of these new applicants were at postgraduate level, with the remaining 20% being undergraduates. Since the IANG was launched in May 2008, over 28 000 non-local graduates were approved in total. Of them, about 16 500 or 58% were in Hong Kong as at August 2013, either in employment or seeking jobs<sup>5</sup>.

8. According to a research institute<sup>6</sup>, following the reunification of Hong Kong with the Mainland, the flow of people between the two places have strengthened constantly, which provides more opportunities for Hong Kong people to meet non-locals of the opposite sex. Between 1997 and 2012, the number of cross-boundary marriages remained high, accounting for 39% to 56% of the overall number of marriages in Hong Kong.

9. Cross-boundary marriages used to be viewed negatively as unions between aged husbands and young wives, a means to obtain welfare benefits by deception or bogus marriages. However, with more Hong Kong people

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<sup>5</sup> Consultation Document on Population Policy.  
Extracted from [http://www.hkpopulation.gov.hk/public\\_engagement/pdf/PEEPP\\_eng\\_lowres.pdf](http://www.hkpopulation.gov.hk/public_engagement/pdf/PEEPP_eng_lowres.pdf).

<sup>6</sup> Hong Kong Ideas Centre (2013). Study on Cross-boundary Marriages between Hong Kong and the Mainland. Extracted from <http://www.ideascentre.hk/wordpress/wp-content/uploads/2009/02/Cross-border-Marriages-Report-TC.pdf>



heading north for employment and more means opened up for Mainland people to enter Hong Kong in recent years, people from diverse backgrounds are engaged in cross-boundary marriages. Cross-boundary marriages between well-educated young people with high income are becoming more common. This has profound implications for marriage ties, family functions and structure, and socio-demographic changes.

10. The research findings show that respondents generally anticipate a steady increase in cross-boundary marriages, which they believe will facilitate cultural integration between the two places and provide salient conditions for resolving China-Hong Kong conflicts. With the increase in cross-boundary marriages and their percentage over the overall number of households in Hong Kong, these couples and their offspring are fast becoming major stakeholders in the social, economic and political development of Hong Kong. They have their role and stake in the long-term development of Hong Kong.

11. Statistics on cross-boundary marriages and babies born in Hong Kong to Mainland women are set out in the tables below.

**Table 3 Number of marriages registered in Hong Kong with bridegrooms/brides from the mainland of China(1) and number of issuance of Certificate of Absence of Marriage Records (CAMR) for the purpose of marrying in the mainland of China, 1986–2011**

年 Year	香港登記結婚 Marriages registered in HK	獲發「無結 婚紀 錄證明書」 Issue of CAMR	總計(2) Total(2)	年 Year	香港登記結婚 Marriages registered in HK	獲發 「無結婚紀 錄證明書」 Issue of CAMR	總計(2) Total(2)
男性 Male	新郎為香港人而新娘為內地人 Bridegrooms are Hong Kong residents and Brides from the mainland of China			女性 Female	新娘為香港人而新郎為內地人 Brides are Hong Kong residents and Bridegrooms from the mainland of China		
1986	703	15 073	15 776	1986	79	596	675
1987	580	17 631	18 211	1987	73	705	778
1988	469	16 240	16 709	1988	54	638	692
1989	528	16 695	17 223	1989	68	699	767
1990	498	19 985	20 483	1990	54	1 106	1 160
1991	590	20 630	21 220	1991	90	1 300	1 390
1992	753	22 366	23 119	1992	75	1 674	1 749
1993	886	21 892	22 778	1993	90	1 211	1 301
1994	1 166	22 420	23 586	1994	115	1 305	1 420
1995	1 407	20 333	21 740	1995	140	1 322	1 462
1996	2 215	22 349	24 564	1996	269	1 552	1 821
1997	2 269	26 040	28 309	1997	366	1 824	2 190
1998	2 685	16 416	19 101	1998	390	1 313	1 703
1999	3 054	14 752	17 806	1999	369	1 118	1 487
2000	3 834	13 886	17 720	2000	546	1 142	1 688

年 Year	香港登記結婚 Marriages registered in HK	獲發「無結 婚紀 錄證明書」 Issue of CAMR	總計(2) Total(2)	年 Year	香港登記結婚 Marriages registered in HK	獲發 「無結婚紀 錄證明書」 Issue of CAMR	總計(2) Total(2)
2001	5 169	13 211	18 380	2001	723	1 636	2 359
2002	7 724	10 127	17 851	2002	977	1 394	2 371
2003	10 185	7 501	17 686	2003	1 324	1 083	2 407
2004	13 126	7 842	20 968	2004	1 888	1 504	3 392
2005	16 775	8 094	24 869	2005	2 726	2 193	4 919
2006	18 182	9 963	28 145	2006	3 406	3 077	6 483
2007	15 978	5 910	21 888	2007	2 490	1 825	4 315
2008	14 206	4 797	19 003	2008	2 409	1 539	3 948
2009	13 751	4 394	18 145	2009	2 599	1 595	4 194
2010	15 504	3 791	19 295	2010	3 276	1 577	4 853
2011	16 361	3 806	20 167	2011	4 127	1 738	5 865

註釋： (1) 2010 統計年度以前的數字是根據入境事務處按月提供的個人結婚登記紀錄內的兩項資料，即「來港前居住的地方」是中國內地和「在香港的逗留時間」少於一年，來估算內地新郎／新娘。這數字可能包括持有單程通行證來港並於不足一年內結婚的人士。然而，有關數字仍是提供跨境婚姻統計一個很好的指標。由 2010 統計年度起，除上述兩項資料外，採用更多相關的資料（例如所持旅行證件類別）用以改良內地新郎／新娘的估算。

(2) 由於獲發「無結婚紀錄證明書」（聲稱作為在中國內地申請結婚之用）人士最後未必結婚，以上的總計數字只是結婚總數的一個粗略指標。

Notes: (1) Before the reference year of 2010, the figures of bridegrooms/brides from the mainland of China are estimated with reference to two data items in the individual registered marriage records provided by the Immigration Department on a monthly basis, viz. "place of previous residence" being in the mainland of China and "duration of stay in Hong Kong" being less than one year. The figure thus compiled might have included one-way permit holders entering Hong Kong and getting married in less than one year. Nevertheless, it still provides a good proxy indicator to cross-boundary marriage statistics. Since the reference year of 2010, besides the above two data items, more information (e.g. holding of travel document type) is used to enhance the estimates of bridegrooms/brides from the mainland of China.

(2) Since applicants with issuance of CAMR (who claimed for the purpose of marrying in the mainland of China) may not eventually lead to marriages, the total figure above only gives a crude indicator of the total number of marriages.

Source: Census and Statistics Department. Demographic Trends in Hong Kong 1981-2011》

**Table 4 Births born in Hong Kong to Mainland women, 2001 to 2012**

統計期間 Reference period	活產嬰兒數目(1) Number of live births(1)	其中由內地女性在香港所生的活產嬰兒數目： Of which number of live births born in Hong Kong to Mainland women :			
		其配偶為 香港永久性居民 whose spouses are Hong Kong Permanent Residents	其配偶為 非香港永久性居民 (2) whose spouses are not Hong Kong Permanent Residents(2)	其他(3) Others(3)	小計 Sub-total
2001	48 219	7 190	620	-	7 810
2002	48 209	7 256	1 250	-	8 506
2003	46 965	7 962	2 070	96	10 128
2004	49 796	8 896	4 102	211	13 209
2005	57 098	9 879	9 273	386	19 538
2006	65 626	9 438	16 044	650	26 132
2007	70 875	7 989	18 816	769	27 574
2008	78 822	7 228	25 269	1 068	33 565
2009	82 095	6 213	29 766	1 274	37 253
2010	88 584	6 169	32 653	1 826	40 648
2011	95 451	6 110	35 736	2 136	43 982
2012	91 558	4 698	26 715	1 786	33 199

註釋： (1) 數字是按事件的發生時間計算某統計期間內在香港出生的活產嬰兒總數（即該統計期間內的活產嬰兒）。

(2) 包括香港非永久性居民（來港少於7年的內地人士包括在這類別）及非香港居民。

(3) 在出生登記時，內地母親並沒有提供嬰兒父親居民身分的資料。

Notes : (1) Figures refer to the total number of live births born in Hong Kong in the reference period counted by the occurrence time of the events (i.e. births actually taking place in that reference period).

(2) Include Hong Kong Non-permanent Residents (persons from the Mainland having resided in Hong Kong for less than 7 years being grouped in this category) and non-Hong Kong residents.

(3) Mainland mothers did not provide the father's residential status during birth registration.

Source: Census and Statistics Department. Feature Articles of Hong Kong Monthly Digest of Statistics (December 2013): The Fertility Trend in Hong Kong, 1981 to 2012

## **Supply of fresh water and food**

According to information provided by the Water Supplies Department<sup>1</sup>, the importation of raw water supply from Guangdong has a history dated back to 1960 when a scheme was first formulated for receiving a supply of 22.7 million cubic metres (mcm) a year. The 1964 Agreement was reached with the Guangdong authorities whereby Hong Kong would purchase 68 mcm of water each year. Since then, both parties went through many rounds of discussion on the supply quantity and signed agreements to provide for further progressive increase in yearly quantity. The long-term water supply agreement with Guangdong authorities was signed in 1989, which had secured sufficient water supplies to meet Hong Kong's needs well into the next century. It provided an annual increase from 690 mcm in 1995 to 780 mcm in 2000, through a system with a maximum designed capacity of 1 100 mcm per year.

2. However, starting in the nineties the industry in Hong Kong moved northwards. The water consumption had dropped significantly. After extensive negotiations, the Guangdong authorities agreed in the 1998 Agreement that the annual increase in supply quantities from 1998 to 2004 could be reduced by 20 mcm. As a result, the total supply quantities reduced in these seven years was 560 mcm cumulatively. The Guangdong side had also agreed the ultimate annual supply quantity of 1 100 mcm per year would remain unchanged and the time of reaching this ultimate capacity could be suitably deferred and would be subject to further negotiation.

3. The current agreement, which extended the use of a package deal approach that was first adopted in the agreement of 2006, was signed in December 2011 for the supply arrangement up to 2014. Under this package deal arrangements, an annual lump sum payment will be made to the Guangdong side in exchange for a reliable and flexible supply of Dongjiang water to meet the actual needs of Hong Kong, even under extreme drought conditions with a return period of one in 100 years. Under the current agreement, there will be greater flexibility in the daily supply rate to tie in with seasonal fluctuations in the local yield, which will enable Hong Kong to have

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<sup>1</sup> Major source of water. From website of the Water Supplies Department  
[http://www.wsd.gov.hk/tc/water\\_resources/raw\\_water\\_sources/water\\_sources\\_in\\_hong\\_kong/water\\_from\\_dongjiang\\_at\\_guangdong/](http://www.wsd.gov.hk/tc/water_resources/raw_water_sources/water_sources_in_hong_kong/water_from_dongjiang_at_guangdong/)

better control of the storage level in reservoirs, thereby minimising overflow more effectively and saving pumping costs. The long-term supply of Dongjiang water to Hong Kong to cope with future development under the existing agreement has also been reassured by retaining the ultimate annual supply quantity of 1,100 million cubic metres, while the target date for achieving this projection will be subject to further review.

4. Before 1960's, livestock, raw and fresh food from the Mainland were transported to Hong Kong by vehicles. The mortality rates of livestock were high and the agricultural products and by-products were ruined easily during transportation. The goods were seriously damaged, resulting in loss of income. There was no guarantee that the food was fresh and safe for consumption. The situation was finally rectified on 20 March 1962 when an express train carried fresh and frozen food to Hong Kong departed from Wuhan. On 11 December the same year, another two express trains carried food to Hong Kong from Shanghai and Zhengzhou respectively. These three trains were running the lines of Jingguang, Huhang, Zhe-gan respectively, and after regrouping in Shenzhen, the trains then departed for Hong Kong.

5. In 1963, it was then Premier Zhou Enlai who decided to implement the policy of "three express trains" and stressed that non-staple food should be supplied to Hong Kong to ensure "guaranteed supply" and "stable pricing". The introduction of "three express trains" provided a full spectrum of fresh food selection to Hong Kong. Even in days of runaway inflation, residents of Hong Kong could still have access to fresh food at affordable prices. The supply of Mainland agricultural non-staple food helped stabilise the prices in Hong Kong, meeting the basic needs of the grassroots people in Hong Kong<sup>2</sup>.

6. In the 80s, the highway networks within the Pearl River Delta (PRD) region and indeed the whole country were basically connected. For cost-saving purposes, imported goods from provinces in close proximity to Guangdong would be transported by container trucks to Shenzhen control points via the highway networks and then to Hong Kong directly. During the same period, food-supplying bases for Hong Kong mushroomed in the PRD region. It was no longer necessary for goods to be transported to Hong Kong all the way from remote provinces/districts/cities. As goods could be

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<sup>2</sup> It is not only a stabilizer for Hong Kong market, but also a means for earning foreign exchange through export (September 2009) Issue 138 of CRC Magazine  
<http://his.crcmagazine.com/DMSMagaDoc/200909/05hk.asp>

conveyed directly to Hong Kong via highway from their production bases in the PRD region, railway transportation thus was edged out.<sup>3</sup> With the switch of transportation mode gradually from railway to highway for carrying fresh food to both Hong Kong and Macao, the 48 year-old policy of “three express trains” to serve Hong Kong and Macao people finally came to an end in June 2010.<sup>4</sup>

7. Figures in 2013 revealed that more than 90% of overall food supply in Hong Kong is imported, with the Mainland being the most important food supplier. For the imported food in 2013<sup>5</sup>, 7.4% of rice, 59.5% of flour, 68.5% of pork, 3.1% of beef, 95.7% of chicken, 43.2% of fish, 92.2% of vegetable and 51.2% of egg were imported from the Mainland. Above all, imported fresh pork, fresh beef and live chicken were 100% from the Mainland.

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<sup>3</sup> Despite the phasing out of “three express trains” policy, food supplies to Hong Kong remain abundant  
Xin Hua Net (11 September 2006)  
[http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/tai\\_gang\\_ao/2006-09/11/content\\_5076124.htm](http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/tai_gang_ao/2006-09/11/content_5076124.htm)

<sup>4</sup> 50-year supply of non-staple food to Hong Kong helped stabilise livelihood  
Ta Kung Net (26 June 2013)  
<http://news.takungpao.com.hk/hkol/topnews/2013-06/1714343.html>

<sup>5</sup> The imported pork, beef, chicken and fish cover three categories, namely fresh, chilled and frozen ones.

**Charity and Volunteer Work Undertaken by  
Hong Kong people in the Mainland**

Over the years, many Hong Kong people who care about Mainland development have spared no efforts and money in building Mainland facilities and helping those in need. Whenever disasters strike the Mainland, the response of Hong Kong people is invariably overwhelming. During the flooding of eastern China in 1991, Hong Kong people made a total donation of \$600 million for disaster relief and reconstruction work. After the Wenchuan earthquake in 2008, Hong Kong Government (HKG) injected HK\$9 billion into the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas and has been directly involved in 151 reconstruction projects. Taking into account public donation which is estimated to be HK\$13 billion and funds granted by HKG, the total donation from Hong Kong amounts to almost HK\$20 billion, accounting for more than 30% of the total donation made within and outside the nation<sup>1</sup>. Many charitable organisations in Hong Kong such as Oxfam Hong Kong and Red Cross<sup>2</sup> had dispatched personnel to Sichuan to assist in emergency relief and reconstruction work. For instance, personnel from Oxfam Hong Kong joined hands with Mainland volunteers such as healthcare professionals from West China School of Public Health, Sichuan University in relief operations<sup>3</sup>. There were also Hong Kong people who went to Sichuan in their personal capacity to help in the relief work, for example Hong Kong resident WONG Fuk-wing<sup>4</sup> who lost his life when trying to save victims during the earthquake in Yushu County in 2010.

2. Sowers Action is one of the non-governmental organisations set up in Hong Kong as early as 1992. Its objective is to provide learning opportunities for Mainland school-age children, hoping to create a better future for the next generations through education. Sowers Action has put in place various initiatives to create quality learning environments: building schools that abide

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<sup>1</sup> “News archive: Donation after earthquake”, now.com news (22 April 2013)  
<http://news.sina.com.hk/news/20130422/-101-2948132/1.html>

<sup>2</sup> Hong Kong Red Cross website for Sichuan earthquake relief.  
[http://www.redcross.org.hk/china\\_earthquake/eng/](http://www.redcross.org.hk/china_earthquake/eng/)

<sup>3</sup> May 12 Wenchuan earthquake 5<sup>th</sup> anniversary Oxfam Hong Kong’s report  
<http://www.oxfam.org.cn/download.php?cid=18&id=20>

<sup>4</sup> WONG Fuk-wing <http://baike.baidu.com/view/3489295.htm>

by safety regulations; increasing teacher supply through teacher training; providing learning grants to students; and making available special assistance to students with special needs. Between 1992 and 2012, Sowers Action had offered financial assistance to 280 000 primary and secondary students and over 23 000 teachers, and reconstructed more than 1 240 schools and teacher and student hostels, as well as two special schools and a special school hostel<sup>5</sup>.

3. There are also Hong Kong people who choose to go to the Mainland to take part in building works or repairs of bridges and roads. Wu Zhi Qiao (Bridge to China) Charitable Foundation, established in 2007, is a charity registered in Hong Kong. Through encouraging volunteers, especially university student volunteers from Hong Kong and the Mainland, to build footbridges and villages facilities in remote and poor villages in the Mainland with green concepts. Many participants are engineering professionals and students. All participants work in teams. There are teams formed in universities and engineering firms. As at 2013, more than 29 Wu Zhi Qiao projects have been completed in Anhui, Shaanxi, Sichuan, Gansu, Guizhou, Yunnan and Chongqing, benefiting numerous villages and over 39 000 villagers<sup>6</sup>.

4. Project Vision, established in Hong Kong in 2006, has entered into an agreement with the Ministry of Health to set up 100 charity eye centres in the Mainland. Its objective is to establish a “permanent eye care team” for Mainland grassroots and adopt a development model of “helping people to help themselves and maintaining sustainable development” in helping the poor. To this end, Project Vision helps grassroots hospitals in poverty stricken areas set up charity eye centres by means of donating ophthalmic equipment, providing surgery and surgical training, and introducing a modern management system, and offering medical treatment at cost (those in dire need may get free treatment)<sup>7</sup>.

5. Hong Kong people also participate in Mainland charity work organised by international or Mainland organisations. For example, a Hong Kong ophthalmologist spends around ten days each year to do volunteer work organised by Orbis through performing eye surgeries in the Mainland for the

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<sup>5</sup> Lam Kin-yeung, “Leung Chun-ying: Hong Kong people show care to Mainland compatriots”, Asia Pacific Daily (4 November 2012) <http://www.apdnews.com/news/17420.html>

<sup>6</sup> Wu Zhi Qiao (Bridge to China) Charitable Foundation <http://www.bridgetochina.org.hk/>

<sup>7</sup> Project Vision [http://www.projectvision.org.hk/pv/v3/index00\\_1.shtml](http://www.projectvision.org.hk/pv/v3/index00_1.shtml)



poor and coach Mainland ophthalmologists<sup>8</sup>. Project Hope, established by the Communist Youth League Central Committee and China Youth Development Foundation in 1989, aims at subsidising poor family children from rural areas to go to schools and building necessary teaching facilities<sup>9</sup>. Many organisations in Hong Kong also make donations and arrange their members to go to poverty stricken areas in the Mainland to build “Hope” schools. For example, the Hong Kong Buddhist Association has rendered support in building a total of 28 Hope primary and secondary schools in Guizhou<sup>10</sup>; Hong Kong Buddhist Studies Association 15 primary schools in Taiyuan<sup>11</sup>; and Hong Kong Union of Chinese Workers in Western Style Employment (HKUCWWSE) 3 primary schools<sup>12</sup>.

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<sup>8</sup> Medical and health: An ophthalmologist performs charity work in the Mainland: Volunteer work, significant or not, counts, Oriental Daily News (21 October 2013)  
[http://orientaldaily.on.cc/cnt/news/20131021/00176\\_086.html](http://orientaldaily.on.cc/cnt/news/20131021/00176_086.html)

<sup>9</sup> China Youth Development Foundation <http://www.cydf.org.cn/Abouts/>

<sup>10</sup> Project Hope programmes of the Hong Kong Buddhist Association  
<http://www.hkbuddhist.org/hope/main.html>

<sup>11</sup> Eleven years’ support to Taiyuan by a group of Hong Kong volunteers. Taiyuan Evening News (1 July 2012)  
<http://news.qq.com/a/20120701/000308.htm>

<sup>12</sup> HKUCWWSE’s website for Project Hope <http://www.hkucwwse.org.hk/hope.html>

**Incidents in recent years which illustrated Mainland-Hong Kong relationship and attracted extensive discussion  
(Extracted from media coverage)**

April 2014	Mainland children urinating or defecating in streets triggered debate	A Mainland couple travelling in Hong Kong allowed their son to relieve himself in a Mong Kok street, a video clip of which was uploaded on the Internet by a passerby. Mainland netizens were dissatisfied with Luqiu Luwei, a reporter of the Phoenix Satellite Television, because of her biased comments in favour of Hong Kong people when re-posting the clip on the Microblog. They called for boycotts of Hong Kong by urging fellow countrymen not to travel to Hong Kong any more starting from 1 June 2014 to “punish Hong Kong people” <sup>1</sup> . Subsequently, <i>Global Times</i> published commentaries, remarking that although the practice of the parents concerned did not conform to regulations in Hong Kong, the way the Hong Kong people did went too far since what they did was just taking pictures of the little boy. <sup>2</sup> They neither offered help nor reminded the Mainland parents not to let their child urinate in the street. In response, Secretary for Commerce and Economic Development (SCED) Gregory So Kam-leung appealed for understanding and tolerance between residents of both sides. However, some academics pointed out that the official’s call for tolerance by the Hong Kong people did not take account of their feelings and did not help resolve the matter. <sup>3</sup> On the Internet, some Mainland netizens called on Mainland parents to bring their children to Hong Kong on the Labour Day holiday and let them relieve themselves in streets. In response, local netizens called on Hong Kong
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<sup>1</sup> *Apple Daily* (23 April 2014), <http://hk.apple.nextmedia.com/news/art/20140423/18697602>

<sup>2</sup> *Sky Post* (24 April 2014), <http://www.skypost.hk/%e6%b8%af%e8%81%9e/%e8%a6%81%e8%81%9e/20140424/001/%E3%80%8A%E7%92%B0%E6%99%82%E3%80%8B%E8%BD%9F%E6%B8%AF%EF%BC%9A%E5%BD%B1%E7%AB%A5%E4%BE%BF%E6%BA%BA%E6%9B%B4%E4%B8%8D%E6%96%87%E6%98%8E/135857>

<sup>3</sup> *Hong Kong Daily News*, (25 April 2014), <http://www.hkdailynews.com.hk/NewsDetail/index/133897>

		<p>residents to take part in an online photography competition calling for contributions of photos showing Mainlanders relieving themselves in public in Hong Kong during the Golden Week. In addition, as some netizens were dissatisfied with Gregory So's "calling for the public to demonstrate tolerance", many of them suggested that Mainland tourists should "relieve themselves outside SCED Gregory So's residence".<sup>4</sup> The incident had no signs of cooling down after a week. The <i>Global Times</i> continued to criticise those Hong Kong people who mocked Mainland children's behaviour by putting (toy) faeces on the streets and regarded them as extremists who made people thought of the "Neo-Nazis". It even called on Mainland tourists to "make bold responses".<sup>5</sup></p>
April 2014	"Hong Kong Property for Hong Kong People"	<p>The HKSAR Government implemented the pilot scheme of "Hong Kong Property for Hong Kong People" (HKPHKP) measure by putting up two residential sites in Kai Tak Development Area for sale in 2013. On 1 April 2014, the Chief Executive (CE) said that Hong Kong's property market was no longer overheated after the implementation of the two rounds of demand management measures (popularly known as "the two tough property measures"), and there is no need to further apply to other sites the HKPHKP measure which was launched shortly after his assumption of office. An academic considered the measure not effective in driving down overall property prices. Unless the measure was applicable to all residential developments, buyers from the Mainland could always find a way to purchase a flat in some other developments. Furthermore, the HKPHKP measure would only</p>

<sup>4</sup> *Ming Pao* (25 April 2014)  
<http://news.hk.msn.com/local/%e5%85%a7%e5%9c%b0%e7%b6%b2%e6%b0%91%e7%99%bc%e8%b5%b7%e6%94%9c%e7%ab%a5%e4%be%86%e6%b8%af%e4%be%bf%e6%ba%ba>

<sup>5</sup> *Hong Kong Economic Journal* (30 April 2014)  
<http://www2.hkej.com/instantnews/current/article/366625/%E3%80%8A%E7%92%B0%E6%99%82%E3%80%8B%E6%89%B9%E4%BB%BF%E4%BE%BF%E6%BA%BA%E8%AB%B7%E9%99%B8%E5%AE%A2+%E4%BC%BC%E6%96%B0%E7%B4%8D%E7%B2%B9%E7%B1%B2%E5%8F%8D%E6%93%8A>

		aggravate the conflict between the Mainland and Hong Kong, and tarnish the image of Hong Kong. <sup>6</sup>
March 2014	Traditional vs simplified Chinese characters	Barrister Margaret NG, former Legislative Council Member, wrote in an article in Ming Pao about the awkwardness caused by Mandarin Oriental Hotel's replacement of the Chinese writing of the name of its restaurant Man Wah from “文華廳” (in traditional Chinese characters) to “文华廳” (in simplified Chinese characters) on signs inside the hotel's lifts. <sup>7</sup> The hotel had also added information in simplified Chinese characters to directory signs next to lift buttons, as well as to signs and notices on certain floors. As some expressed concern about the addition, Mandarin Oriental Hotel finally decided to remove all signs bearing additional simplified Chinese characters. <sup>8</sup>
March 2014	Shopping	The “Alliance of All Who Genuinely Love Our Country and Our Party” staged a “rally for those who genuinely love our country and our party” in Mong Kok. The organiser urged Mainland visitors to buy China-made goods, not foreign goods in Hong Kong any more. <sup>9</sup>
March 2014	MTR	About ten members of the Neo Democrats staged a “sardines” flashmob show in which they put on a one-metre-odd-tall placard featuring canned sardines and travelled to and from the Admiralty and Tsim Sha Tsui to protest against the influx of

<sup>6</sup> *Asia Pacific Daily* (3 April 2014).  
<https://hk.news.yahoo.com/%E9%A6%99%E6%B8%AF%E8%A7%80%E5%AF%9F-%E9%9B%99%E8%BE%A3%E6%8B%9B%E8%A6%8B%E6%95%88-%E6%B8%AF%E5%BA%9C%E5%81%9C%E6%8E%A8-%E6%B8%AF%E4%BA%BA%E6%B8%AF%E5%9C%B0-012626637.html>

<sup>7</sup> *Ming Pao* (31 March 2014)  
<http://news.hk.msn.com/local/%E6%96%87%E8%8F%AF%E6%9D%B1%E6%96%B9%E6%8C%87%E7%A4%BA%E7%89%8C%E7%94%A8%E7%B0%A1%E9%AB%94%E5%AD%97-%E6%B8%AF%E5%AE%A2%EF%B9%95%E5%9C%B0%E6%A8%99%E9%85%92%E5%BA%97%E6%87%89%E7%85%A7%E9%A1%A7%E6%B8%AF%E4%BA%BA%E6%84%9F%E6%83%85>

<sup>8</sup> *Apple Daily* (2 April 2014) <http://hk.apple.nextmedia.com/news/art/20140402/18676374>

<sup>9</sup> Extracted from the coverage in the *Oriental Daily* on 10 March 2014.

		Mainlanders resulting in overcrowded trains on the MTR <sup>10</sup> .
February 2014	Dongjiang water supply	The SAR Government started a new round of Water Supply Agreement negotiation with the Guangdong authorities in early 2014 to ascertain the quality, quantity and price of Dongjiang water for the following three years. According to the current Agreement, the annual total supply of water is 1,100 million cubic metres, with a 6%-odd annual price upward adjustment. The cost of water in 2014 was over \$3,950 million <sup>11</sup> . As a result of the rapid development of the industries in the Mainland in the past few decades, Dongjiang water had been heavily polluted. It was reported that both the heavy metal content and turbidity of the raw water samples taken from the pumping station at the downstream of Dongjiang exceeded the acceptable limit <sup>12</sup> . Against this backdrop, some Hong Kong people grumbled about having to pay at a higher price for water of lower quality. The Guangdong Province, however, pointed out that many places in the Province were suffering from shortage of water supply in recent years. Although there were not enough sources of water for the Province as a whole, they still had to fulfil their “political obligation” by ensuring that Hong Kong could have enough water supply. They considered complaints by Hong Kong people unfair <sup>13</sup> .
February 2014	Against the Individual Visit Scheme (IVS)	On 16 February 2014, groups of people who supported or protested against the IVS gathered in Tsim Sha Tsui and engaged in a war of words. SHI Junlong was seen in front of the camera yelling at some Hong Kong people who staged protest against the IVS, “Hong Kong has no place

<sup>10</sup> Extracted from a report of the *Oriental Daily* dated 10 March 2014

<sup>11</sup> *Oriental Daily* (21 October 2011) [http://orientaldaily.on.cc/cnt/news/20111021/00174\\_001.html](http://orientaldaily.on.cc/cnt/news/20111021/00174_001.html)

<sup>12</sup> *Oriental Daily* (12 May 2013) [http://orientaldaily.on.cc/cnt/news/20130512/00174\\_001.html](http://orientaldaily.on.cc/cnt/news/20130512/00174_001.html)

<sup>13</sup> *Takungpao* (23 December 2013) <http://news.takungpao.com.hk/hkol/topnews/2013-12/2123802.html>

		for you, British crawlers, go to the UK, the United States instead” <sup>14</sup> . (On 2 August 2000, a group of people seeking the right of abode in Hong Kong brought bottles of thinner and lighters to the Immigration Tower in Wan Chai to press their claims for the right of abode in Hong Kong. This caused a fire. A Senior Immigration Officer named LEUNG Kam-kwong who was performing his duty and a protester named LIN Xiaoxing both died and 44 people were injured. SHI Junlong, the principal offender, was originally sentenced to life imprisonment on conviction of murder, but he lodged appeals. In a retrial in 2005, he was sentenced to eight years’ imprisonment for manslaughter. In late 2005, SHI was extradited to the Mainland after serving his sentence. In 2011, SHI’s application for a one-way permit was granted and came to Hong Kong for settlement.)
February 2014	Shopping	About 20 netizens organised a campaign named “Occupy Mong Kok with love and suitcases”. The protesters acted as if they were Mainlanders on shopping sprees when they visited shops and walked around the pedestrian area at Sai Yeung Choi Street. They teased Mainlanders for shopping in Hong Kong by chanting slogans in Putonghua <sup>15</sup> .
February 2014	Against the IVS	About 100 netizens who were “anti-communisation and anti-colonisation” launched an “anti-locust” procession in Tsim Sha Tsui. Waving British colonial flags, they exchanged abuse with Mainland visitors there and clamoured outside the shops selling brand name products along Canton Road. For a number of times the group traded provocation and scuffled with those supporting the IVS, turning the area into chaos. A jewellery shop closed its door at one point as a precautionary measure <sup>16</sup> .

<sup>14</sup> *Apple Daily* (16 February 2014) <http://hk.apple.nextmedia.com/realtime/news/20140216/52194908>

<sup>15</sup> Extracted from a report by the *Oriental Daily* on 10 March 2014

<sup>16</sup> Extracted from a report of the *Oriental Daily* dated 10 March 2014

January 2014	Official language	The Education Bureau posted on its webpage in end-January 2014 an article titled “Language Learning Support” stating that Cantonese is a “Chinese dialect but not an official language”, that sparked heated debate. Subsequently, the Education Bureau made an apology in early February, saying that the explanatory note on “Cantonese” was ambiguous and not well-elaborated and that they would have it corrected as soon as possible. They then apologised for any misunderstanding caused by the explanatory note <sup>17</sup> .
January 2014	Chickens infected with bird flu	A consignment of live chickens imported to Hong Kong from Shunde of Guangdong was tested and found to have been infected with H7N9 virus. The SAR Government decided to cull all the chickens, be they locally bred or imported, at the Cheung Sha Wan Wholesale Market at the time and suspended the supply of live chickens for 21 days <sup>18</sup> . The local chicken breeders felt that they were being victimised by their Mainland counterparts and that the Government was not doing its job properly by allowing the Mainland chickens to enter the Wholesale Market without first undergoing a rapid blood test to ensure the local chickens would not be infected <sup>19</sup> .
January 2014	“Anti-locusts”	In a protest held on the New Year’s day organised by “Anti-communisation, Anti-colonisation”, “Civic Passion” and “HK First”, protesters chanted slogans like “No more locust attacking Hong Kong”. Some were waving “Hong Kong colonial flags” which stirred up discontent of another organisation. Police had to separate the two sides by putting up mills barriers and forming “human blockades” <sup>20</sup> .

<sup>17</sup> *Ming Pao* (3 February 2014) <http://inews.mingpao.com/htm/inews/20140203/gb11051y.htm>

<sup>18</sup> BBC(27 January 2014) [http://www.bbc.co.uk/zhongwen/trad/china/2014/01/140127\\_hk\\_h7n9\\_cull.shtml](http://www.bbc.co.uk/zhongwen/trad/china/2014/01/140127_hk_h7n9_cull.shtml)

<sup>19</sup> *Ming Pao* (29 January 2014) <http://news.sina.com.hk/news/20140129/-2-3177402/1.html>

<sup>20</sup> Excerpt from an article on 10 March 2014 on *Oriental Daily*

December 2013	Breaking in barracks	Claiming that they were annoyed by the Government's plan to build a military berth at the New Central Harbourfront, four members of a civic organisation called "Hongkongers Come First", holding British colonial flags in their hands, broke into the headquarters of the Hong Kong Garrison of the Chinese People's Liberation Army. The four persons were each charged with having committed the offence of "entering closed area without permit". The trial will be heard on 19 May 2014. <sup>21</sup>
December 2013	CSSA appeal	The Court of Final Appeal delivered a judgement declaring that the requirement of having become Hong Kong residents for at least seven years stipulated by the Government in January 2004 for the CSSA Scheme was unconstitutional. New arrivals are entitled to application for CSSA with one year of residence after obtaining Hong Kong residency. Many Hong Kong people are worried that the decision will lead to a substantial increase in welfare expenditure, jeopardising the overall welfare system and other policies <sup>22</sup> .
October 2013	School places in the North district	The upsurge in the number of cross-boundary students strained the supply of kindergarten and primary school places in the North District. There were parents street-sleeping for days only because they wanted to obtain an application form for nursery classes. For primary school places in the North District, cross-boundary students make up 39% and 34% in P1 and P2 respectively. <sup>23</sup>
April 2013	MTR	A fight-over-seats incident took place in the East Rail of MTR between Mainlanders. A group of passengers consisting of both elders and toddlers were irritated by a couple who refused to give seats. Their quarrel in Putonghua soon escalated into a fist fight while other frightened commuters

<sup>21</sup> *Wen Wei Po* (21 March 2014) <http://paper.wenweipo.com/2014/03/21/HK1403210034.htm>

<sup>22</sup> *Oriental Daily* (23 December 2013) [http://orientaldaily.on.cc/cnt/news/20131223/00176\\_098.html](http://orientaldaily.on.cc/cnt/news/20131223/00176_098.html)

<sup>23</sup> *The Sun* (3 April 2014) [http://the-sun.on.cc/cnt/news/20140403/00407\\_063.html](http://the-sun.on.cc/cnt/news/20140403/00407_063.html)



		took exit from the train. The train was delayed at the end. <sup>24</sup>
February 2013	Stamp duty	On 22 February 2013, the Financial Secretary announced that the Government would amend the Stamp Duty Ordinance to adjust the ad valorem stamp duty (AVD) rates and to advance the charging of AVD on non-residential property transactions from the conveyance on sale to the agreement for sale. Any residential property (except that acquired by a Hong Kong Permanent Resident who does not own any other residential property in Hong Kong at the time of acquisition) and non-residential property acquired on or after 23 February 2013, either by an individual or a company, will be subject to the new rates of AVD.
February 2013	Powdered Formula	Hong Kong suffered from a serious shortage of powdered formula since parallel traders had been diverting large quantities of powdered formula away from the supply chain in Hong Kong. Parents of Hong Kong infants and young children were therefore concerned and dissatisfied with the situation. The SAR Government announced on 1 February 2013 a series of measures to help stabilise the supply of powdered formula for infants and young children in Hong Kong, thereby safeguarding their health. Amongst others, starting from 1 March 2013, except with an export licence, a person aged 16 or above leaving Hong Kong can only take no more than a total net weight of 1.8 kg of powdered formula (equivalent to 2 cans) for infants and young children aged under 36 months out of Hong Kong on their first departure within a 24-hour period. Some Mainlanders were dissatisfied with this new measure at the early stage of its implementation.
January 2013	Parallel traders	About 30 residents living in the North District organised the “Sheung Shui Retrocession” campaign again. They held banners and chanted “parallel traders, get lost!”. Parallel traders were

<sup>24</sup> *Apple Daily* (5 April 2013) <http://hk.apple.nextmedia.com/news/art/20130405/18217539>

		surrounded by protesters and their access to the paid area of the railway station was blocked. At one point, the actions forced the parallel traders to abandon their goods and fled. Both parties were engaged in a war of words and scuffled with each other during the protest <sup>25</sup> .
October 2012	Stamp duty	The Financial Secretary announced on 26 October 2012 the introduction of Buyer's Stamp Duty (BSD), which will be charged for all residential properties acquired by any person except a Hong Kong Permanent Resident. The BSD will be levied at a flat rate of 15%.
September 2012	Suspending the expansion of one-year multiple-entry Individual Visit Endorsement	<p>In April 2009, the Central Government implemented a measure to allow eligible Shenzhen permanent residents to apply for one-year multiple-entry Individual Visit Endorsements to visit Hong Kong. Holders of the endorsement enjoy unlimited entry to Hong Kong within the validity of one year.</p> <p>The Ministry of Public Security announced at the end of August 2012 that starting from 1 September 2012, a new measure providing convenience for entry and exit would be implemented. Under the new measure, workers or tertiary students who are non-permanent residents of but ordinarily reside in Beijing, Tianjin, Shanghai, Chongqing, Guangzhou and Shenzhen would be allowed to apply for various entry and exit documents (including Exit-Entry Permits for Travelling to and from Hong Kong and Macao as well as various types of exit endorsements for visiting Hong Kong) at their usual place of residence. Non-permanent residents of Shenzhen can also apply for one-year multiple-entry Individual Visit Endorsements in Shenzhen. The announcement generated concerns in Hong Kong. The CE announced in September 2012 that the relevant Mainland authorities would liaise and work closely with the HKSAR Government to ascertain the receiving capacity of</p>

<sup>25</sup> Excerpted from a report by the *Oriental Daily* dated 10 March 2014

		Hong Kong before considering implementing multiple-entry Individual Visit Endorsements for non-permanent residents of Shenzhen; and arranging the orderly issuance of exit endorsements for non-permanent residents (i.e. one-entry or two-entry endorsements) in six cities.
September 2012	Parallel goods	A fight-against-parallel-traders campaign called “Sheung Shui Retrocession” was launched online by Sheung Shui residents. Protesters were engaged in quarrels with parallel traders. Some held up banners stating “Go back to China”. They booed Mainland visitors from time to time and called parallel traders “locusts”. The confrontation between two parties was fierce. <sup>26</sup>
May 2012	Parallel goods	There were rumours in the Mainland that consuming Yakult would result in larger breasts, fairer complexion and even cancer prevention. However, out of the fear that Mainland-made Yakult might contain tainted milk powder, Mainlanders sought after Hong Kong-made Yakult, thus making the soft drink an instant hit among parallel traders. It was always out of stock in pharmacies and grocery stores in the North District. <sup>27</sup>
February 2012	Self-drive Tour Scheme shelved	The trial scheme on one-off ad hoc quotas for Guangdong/Hong Kong cross-boundary private cars ("Self-drive Tour Scheme") would be launched in March 2013, and in the first phase of the Scheme, Hong Kong people would be permitted to take self-drive tours to Guangdong in their private cars, while in the second phase Mainlanders would be permitted to take self-drive tours to Hong Kong. But the timetable for Guangdong private cars coming to Hong Kong has not yet been announced by the governments of both sides. Though there is no specific timetable, it already touched a nerve with many Hong Kong people who were worried

<sup>26</sup> Excerpt from an article on *Oriental Daily* on 10 March 2104

<sup>27</sup> *Apple Daily* (30 May 2012) <http://hk.apple.nextmedia.com/news/art/20120530/16381446>  
*People Net* (6 June 2012) <http://hm.people.com.cn/GB/85423/18089151.html>

		that the Scheme would further worsen our social order, transportation and air quality. The general public condemned the Scheme through different channels. A facebook group called “More than 100,000 Hong Kong people are strongly against the Self-drive Tour Scheme which will crush Hong Kong next Month” was launched by netizens while a street signature campaign and press conference were organised by a group to protest against the Scheme <sup>28</sup> . On 10 February, A “blowing horn protest” movement was initiated <sup>29</sup> while on 13 February, about 300 people opposing the Scheme joined a public procession and sit-in at Victoria Park in response to a call made on the Internet to protest against the Scheme to be launched by the Government <sup>30</sup> .
January 2012	MTR	In mid-January 2012, a video clip entitled “Verbal Wars on Train: Hongkonger vs Mainlander” was uploaded onto the video-sharing website YouTube. In the clip, a “Mr Hong Kong” was unhappy that a Mainland mother and her children were eating dried noodles in the compartment of an East Rail train and littering the floor with the dregs. He stopped them verbally, but the mother and her female Mainland companion rebuked. <sup>31</sup> Later on, Peking University professor KONG Qing-dong remarked that “many Hong Kong people are dogs” in a Mainland television show. His remarks sparked off an intense reaction in Hong Kong, and some used the derogatory term “locust” to scorn Mainlanders visiting Hong Kong. <sup>32</sup>
January 2012	Shopping	Netizens staged a protest called “10 000 People Taking Photographs at the Entrance to D&G” against D&G for treating Hong Kong locals and Mainland visitors differently. During the protest,

<sup>28</sup> *Oriental Daily* (8 February 201) [http://orientaldaily.on.cc/cnt/news/20120208/00176\\_005.html](http://orientaldaily.on.cc/cnt/news/20120208/00176_005.html)

<sup>29</sup> *Apple Daily* (11 February 2012) <http://hk.apple.nextmedia.com/news/art/20120211/16061100>

<sup>30</sup> *Apple Daily* (14 February 2012) <http://hk.apple.nextmedia.com/news/art/20120213/16064855>

<sup>31</sup> *Oriental Daily* (17 January 2012) [http://orientaldaily.on.cc/cnt/news/20120117/00176\\_061.html](http://orientaldaily.on.cc/cnt/news/20120117/00176_061.html)

<sup>32</sup> Extracted from the coverage in *Oriental Daily* on 10 March 2014.

		some netizens yelled “shame on you” and “apologise”, some Hong Kong locals shouted at Mainland tourists outside the D&G store and called them “locusts”, and members of the Hong Kong Autonomy Movement even protested by hoisting the “dragon-lion” flag of colonial Hong Kong. <sup>33</sup>
February 2011	“Hong Kong losing its autonomy in future planning”	“Study on the Action Plan for Livable Bay Area of the Pearl River Estuary” (“the study”), which commenced in April 2010, was commissioned by the Governments of Hong Kong, Guangdong and Macao. It provided a liaison and communication platform for the Governments of the three places to explore ways to turn the Bay Area of the Pearl River Estuary into a core area with quality living which was favourable to prosperous economic development <sup>34</sup> . There was a controversy over the Stage 1 Public Engagement exercise when it was conducted in February 2011. Firstly, it was generally considered that the consultation period was too short as it only lasted for 27 days. In fact, only 18 working days left after deducting the Lunar New Year’s holidays <sup>35</sup> . In response to criticism, the Government extended the consultation period. Secondly, projects yet to be launched or under consultation were included into the study. Some people were concerned about Hong Kong losing its autonomy in its future planning, contrary to the spirit of “One Country, Two Systems”, “Hong Kong people administering Hong Kong” <sup>36</sup> . The Stage 2 Public Engagement for the study has been held from January to April 2014 <sup>37</sup> . Upon the launch of the Stage 3 Public Engagement of the

<sup>33</sup> Extracted from the coverage in *Oriental Daily* on 10 March 2014.

<sup>34</sup> HKSAR Government Press release (29 January 2011)  
<http://www.info.gov.hk/gia/general/201101/29/P201101290157.htm>

<sup>35</sup> Legco Paper CB(1)1264/10-11 (01): Hon Albert HO Chun-yan and Hon James TO Kun-sun’s letter on the consultation on the Study on the Action Plan for Livable Bay Area of the Pearl River Estuary dated 8 February 2011

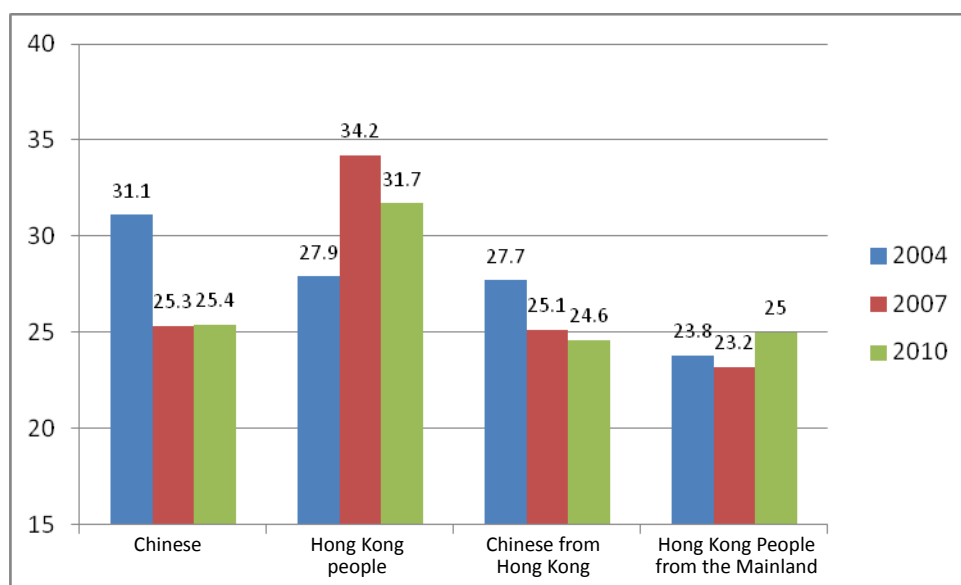
<sup>36</sup> HKSAR Government press release (8 February 2011)  
<http://www.info.gov.hk/gia/general/201102/08/P201102080208.htm>

<sup>37</sup> HKSAR Government Press release (24 January 2014)  
<http://www.info.gov.hk/gia/general/201401/24/P201401240466.htm>

		<p>North East New Territories New Development Areas Planning and Engineering Study in June 2012, the public also questioned whether it was launched for the “integration of Hong Kong and Shenzhen”, and suspected that Hong Kong was losing its autonomy in its future planning.</p>
<p>Several years ago until 2012</p>	<p>Babies born to expectant Mainland mothers whose husbands are not Hong Kong residents</p>	<p>An upsurge in babies born to expectant Mainland mothers whose husbands are not Hong Kong residents had led to a shortage of beds for obstetric services and medical staff. Local pregnant women were concerned about not being able to receive suitable services during delivery. They expressed their dissatisfaction towards Mainland pregnant women who took advantage of the legal loopholes and enjoyed our social resources. The conflicts between pregnant women of the two places intensified. On 1 January 2013, the SAR government implemented the “zero quota” policy.</p>

### **Hong Kong People's Identification of National Identity**

The Committee on the Promotion of Civic Education (CPCE) conducts a survey at periodic intervals on a series of issues relating to national identity and people's awareness of various China affairs. In each survey, respondents will be asked how they would describe their national identity and they may choose at most two out of the following five options: (1) I am Chinese; (2) I am Hong Kong people; (3) I am Chinese from Hong Kong; (4) I am Hong Kong people from the Mainland; (5) Others. According to surveys conducted in 2004<sup>1</sup>, 2007<sup>2</sup> and 2010<sup>3</sup> (see Figure 1 for survey findings), between 2004 and 2010, the percentage of respondents that considered themselves Chinese dropped from 31.1% in 2004 to 25.3% and 25.4% in 2007 and 2010 respectively; the percentage of respondents that considered themselves Hong Kong people rose from 27.9% in 2004 to 34.2% in 2007, but dropped to 31.7% in 2010; the percentage of respondents that considered themselves Chinese from Hong Kong dropped from 27.7% in 2004 to 25.1% and 24.6% in 2007 and 2010 respectively; the percentage of respondents that considered themselves Hong Kong people from the Mainland dropped from 23.8% in 2004 to 23.2% in 2007, but rose to 25% in 2010.



**Figure 1 : Findings on Hong Kong people's identification of national identity in CPCE's 2004, 2007 and 2010 surveys**

<sup>1</sup> CPCE (2005), 2004 Biennial Opinion Survey on Civic Education.

<sup>2</sup> CPCE (2009), civic awareness study in 2007.

<sup>3</sup> CPCE (2012), civic awareness study in 2010.

**The Emergence and Implications of Nativism  
(based on articles from the media)**

An academic held that the “Nativism” of Hong Kong carries multiple meanings. Major characteristics of nativism include: emphasising the protection of the locals’ interests (from jostling for school and hospital places to purchases of powdered formula and flats, all boiled down to the allocation of interests and resources between local residents and Mainlanders); differentiating Hong Kong people from Mainlanders by “the core values of Hong Kong” (such as human rights, freedom and rule of law highly-regarded by local residents); highlighting Hong Kong’s cultures, values and lifestyles as the building blocks (such as Cantonese-dominated pop songs, movies, TV dramas, as well as local culinary culture); and conserving buildings bearing “local historical significance” (such as the Queen’s Pier, King Yin Lei and West Wing of the former Central Government Offices)<sup>1</sup>.

2. An academic opined that “local consciousness can be defined by the love of one’s place of origin, upbringing or long-term residence; the love of one’s family; and the sense of pride in one’s place of living. It becomes nativism when this consciousness is enhanced and translated into action.”<sup>2</sup>. In March 2014, among the 900-odd new entries to the Oxford English Dictionary published by the Oxford University Press, two were new words describing “Hong Kong people”, namely “Hong Kongese” and “Hongkonger”<sup>3</sup>. Media had it that some netizens considered the inclusion of “Hong Kongese” and “Hongkonger” in the Oxford English Dictionary would help enhance local consciousness and international status of Hong Kong people<sup>4</sup>.

3. Under the impacts caused by the closer ties further developed between Hong Kong and the Mainland, the local nativism has developed on a political

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<sup>1</sup> Regina Ip “Nativism in Hong Kong I & II” (published on supplement to *Ming Pao* on 20 and 23 June 2013 respectively)

<sup>2</sup> “Nativism movement: the emergence and development” (26 August 2013) on *Ming Pao* “The Millennium: local series” (《千禧年代：本地系列》) produced by RTHK Public Affairs Unit (Radio Division) was on air during the programme “The Millennium” at RTHK Radio (FM92.6-94.4)

<sup>3</sup> *Hong Kong Economic Journal* (17 March 2014)  
<http://www2.hkej.com/instantnews/hongkong/article/357120>

<sup>4</sup> *Apple Daily* (17 March 2014) <http://hk.apple.nextmedia.com/realtime/news/20140317/52293003>



foundation characterised by a kind of self-defense awareness in resistance to the Mainland and the fear of losing the existing systems, core values and lifestyles of Hong Kong<sup>5</sup>.

4. Some academics opined that Preserving the Star Ferry Pier Movement in 2006 was the forerunner of local nativistic movements after the reunification. In the subsequent social movements for the preservation of the Queen's Pier, opposition to the construction of the Express Rail Link and safeguarding Choi Yuen Tsuen, nativists staged a series of campaigns to bring local issues into the vision of general public. The emergence of "Local Action" "calls for a revisit of the pace of development of Hong Kong. It emphasises a lifestyle that zeroes in on the community. It resists undemocratic consultations carried out by the Government, hegemony of property developers, as well as the political-economic structure favouring collusion between the Government and the business sector." In recent years, a lot of conflicts broke out as closer ties were developed between Hong Kong and the Mainland, and it has given rise to a new generation of nativists. According to the analysis of some academics, this new generation of nativists treated nativistic movement as an ethnical one, and the Facebook group "We are Hongkongers, Not Chinese" is one example. An academic explained that this ethnical resistance under suppression by a superior political authority is mainly politically motivated. "The frustration with politics and the accompanying helplessness will find expression in ethnic localism. Against the background that universal suffrage is beyond reach, constitutional democratic development increasingly manipulated by the Central Government and the manipulation by the Central Government which showed increasing disrespect to Hong Kong people as an entity protected under the "Two Systems", Hong Kong people consider these as deep humiliation and find it impossible to communicate with the Mainland authority."<sup>6</sup>

5. In 2011, Chin Wan put forth the idea of Hong Kong as a city-state in his book "Hong Kong as a City-state". He held that Hong Kong could only preserve its uniqueness by pursuing "autonomy" and resisting closer ties between the two places. In formulating public policies and measures, the Government is obliged to "accord Hong Kong people top priority" and "start

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<sup>5</sup> Fong Chi-hang, Brian, "The more stabilisation efforts by Beijing, the less stabilised Hong Kong becomes – Identity of Hong Kong people as a self-defense to Mainland intervention" (*Ming Pao*, 14 March 2014)

<sup>6</sup> See Note 2

with local interests”.<sup>7</sup> While taking part in the LegCo Election in September 2012, the Neo Democrats focused their attention on local issues in their election platform<sup>8</sup>. Moreover, a Facebook group called “We are Hongkongers, Not Chinese”<sup>9</sup> advocates “autonomy”, and calls on young people to wave Hong Kong flag of the colonial era during public processions and public meetings<sup>10</sup>, which adds fuel to the disputes between “Pro-independence” and “Anti-independence” camps. Furthermore, “HK First”<sup>11</sup> staged a public assembly in March 2014 at the “citizens’ plaza” of the Government Headquarters to promote the use of Cantonese and traditional Chinese characters, while raising objection to some cultural topics such as adopting Putonghua as a medium of instruction. The assembly reflected their concern on local culture<sup>12</sup>. They have also formed a Facebook group called “Hong Kong People Speak”<sup>13</sup>.

6. In recent years, the radical actions and behaviour of some local nativists, such as waving the colonial Hong Kong Flag when staging demonstrations and rallies, and trespassing into the People’s Liberation Army Hong Kong Garrison Headquarters at Tamar with a colonial Hong Kong Flag were criticised by society. There are opinions that most Hong Kong people hope that Hong Kong can enjoy a harmonious relationship with the Central Government, and that the radicals should not seek personal gains at the expense of Hong Kong<sup>14</sup>. Also, there are academics saying that nativists should protect the place we are living in through various kinds of reforms. Regrettably, the nativists in recent years take “rejecting others” as their core value and breed a sense of phobia towards Mainlanders and conflicts between ethnic groups, which would not be good for Hong Kong in the long run<sup>15</sup>.

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<sup>7</sup> Chin Wan (2011) “On Hong Kong City-state”, Enrich Culture, Hong Kong

<sup>8</sup> Wikipedia <http://zh.wikipedia.org/wiki/%E8%8C%83%E5%9C%8B%E5%A8%81>

<sup>9</sup> <https://zh-hk.facebook.com/weareHongKongpeople>

<sup>10</sup> See [Annex 6](#)

<sup>11</sup> *Ming Pao* (1 February 2014) <http://news.sina.com.hk/news/20130201/-2-2885961/1.html>

<sup>12</sup> *Sky Post* (25 February 2014) <http://www.skypost.hk/%E6%B8%AF%E8%81%9E/%E6%96%B0%E8%81%9E/20140225/001/%E6%94%BF%E5%9C%98%E5%91%A8%E6%97%A5%E9%9B%86%E6%9C%83%20%E6%8D%8D%E8%A1%9E%E5%BB%A3%E6%9D%B1%E8%A9%B1/128907>

<sup>13</sup> <https://www.facebook.com/pages/%E6%B8%AF%E4%BA%BA%E6%B8%AF%E5%98%A2/576275702464270>

<sup>14</sup> *Takungpao* (19 February 2014) <http://news.takungpao.com.hk/paper/q/2014/0219/2285879.html>

<sup>15</sup> See Note 2

7. As to Taiwan, “Taiwanisation” refers to a movement of raising people’s awareness of Taiwan’s history, geography, culture and subject consciousness, with an aim to promoting Taiwan’s local culture and de-colonising Taiwan from a cultural perspective. Taiwanisation does not have a definite development period. It means differently at different epochs. It became increasingly pronounced following a series of developments since the lift of the martial law at the end of the 80s. Today the movement is still developing. Such a movement brings changes to Taiwan’s cultural development, politics, economy, society, education, etc, and is expedited by the activities initiated by the government and the community. It is said that Taiwanisation is indeed “de-Chinalisation”, with the purpose of allowing Taiwan to free away from the influence of Chinese culture hanging over its cultural and social landscape<sup>16</sup>. Some pro-nativism activists in Hong Kong are of the view that Taiwanisation is a good example for them and is a good reference point as well.

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<sup>16</sup> Wikipedia

<http://zh.wikipedia.org/wiki/%E5%8F%B0%E7%81%A3%E6%9C%AC%E5%9C%9F%E5%8C%96%E9%81%8B%E5%8B%95>

**Issues on Hong Kong — the Mainland relations**

**General Issues**

- (1) How should we enhance Hong Kong people’s understanding of the “One country, Two systems” and the Basic Law?
- (2) How should we strengthen Hong Kong people’s identification with the national identity?
- (3) How should we showcase Hong Kong’s successful implementation of the “One country, Two systems” as an example to the world?
- (4) How should we promote the compatriot feeling as well as national and cultural exchanges between Hong Kong people and Mainlanders?
- (5) How should we step up, monitor and use Internet platforms to facilitate communication between the Hong Kong people and the Mainland people in order to promote understanding and social harmony?
- (6) How should we advance Hong Kong as a cosmopolitan city in terms of its positioning and characteristics, and its role as China’s window (not another city in China)?
- (7) What policies and measures should be implemented to address the problems and friction stemming from the frequent interactions between the Hong Kong people and Mainlanders, and alleviate the negative feelings of some Hong Kong people?

**Economy and development**

- (8) How should the HKSAR further promote the implementation of CEPA? How should we further implement the specific chapter and provisions in relation to Hong Kong in China’s 12<sup>th</sup> Five-year Plan? How should we work out a plan in which Hong Kong’s uniqueness and importance can be featured in China’s 13<sup>th</sup> Five-year Plan so that Hong Kong can continue to

play a key role in China's development and perform its special functions and roles?

- (9) How should we encourage Mainland enterprises to make more long-term investments in Hong Kong?
- (10) How should we make better use of the relations between Hong Kong and the Mainland to boost our economic prowess?

#### People's livelihood

- (11) How should we ensure the stable supply of water, food and non-staple food imported to Hong Kong, as well as maintain their quality and safety?
- (12) What policies and measures should be taken to collect information about the future settlement plan of children born in Hong Kong to Mainland parents in recent years and on the basis of which to fine tune the relevant policies and put in place more facilities to cater for their needs?
- (13) What should the HKSAR Government do to resolve the problem of shortage of powdered formula for Hong Kong infants and young children in the long run, instead of relying on the export control of powdered formula on a long-term basis?
- (14) What should the HKSAR do to address problems related to the doubly non-permanent resident babies on a long-term basis, instead of merely relying on the local private hospitals and public hospitals to turn away Mainland pregnant women whose husbands are also Mainland people?
- (15) What should the HKSAR do to formulate appropriate policies through long-term planning of service provision to solve resource problems for the purpose of mitigating the conflicts arising from the perception of Hong Kong people about being deprived of their entitled services and welfare by Mainland tourists and new immigrants?

#### Population policy

- (16) How should Hong Kong capitalise on the support of the Mainland to attract Mainland talents to fill our posts in the education and professional

fields so as to strengthen our pool of talents and mitigate the impacts brought about by the ageing population?

### Tourism

- (17) How should we solve the problems engendered by the influx of Mainland tourists to Hong Kong?
- (18) How should we enhance and expand Hong Kong's capacity to accommodate more tourists including those from the Mainland?
- (19) How should we improve our transport network and passenger capacity so as to improve services for Mainland tourists and mitigate the potential conflicts and confrontations between Mainland tourists and local residents?

### Co-operation and cultural exchange between the Mainland and Hong Kong

- (20) How should we strengthen trade, economic, social, cultural, medical and elderly care co-operation between the Mainland and Hong Kong?
- (21) How should we enhance the functions of the HKSAR offices in the Mainland and promote them as the bridge to facilitate communication between Hong Kong and the Mainland?
- (22) How should we look at the questions about the use of Putonghua and the simplified Chinese characters objectively?
- (23) How should we moderate the impact of some Hong Kong people's nativist mentality on Hong Kong's development and further internationalisation as well as its co-operation with the Mainland for mutual development?