**Conference notes IRRI-KIIB**

Round Table-Discussion

***"Hong Kong, 10 years after the Handover.
Succesful implementation of the 'One Country, Two Systems' principle."***  **Donald Tsang Yam Kuen,**
Chief Executive of the Hong Kong Special Administrative Region.
Brussels, 7 November 2006

Summary; this is not an official record of proceedings and specific remarks are not necessarily attributable.

Mr. Tsang gave an update on Hong Kong as it approaches the 10th anniversary of its Reunification and looked at a positive future.

**The past 10 years**

Hong Kong is not solely a global city of seven million, but it is a part of the emergence of China as a major economic and political force. Throughout recent history, Hong Kong has been both observer and player as China re-engages the world. Now, Hong Kong experiences a new stage of development in which it will deepen its links with the world as well as within its own country.

Mr. Tsang emphasised the fact that it has taken us almost 10 years to address fundamental questions such as “How do we make this unique concept of One Country, Two Systems” work? How do we handle our relationship with the sovereign and vice versa? How do we maintain our role as an international centre for finance, trade, transport etc?” He believed strongly the new constitutional arrangement is now well entrenched and that fully implementing the spirit of “One Country, Two Systems” will continue to be an important task for the Chief Executive of Hong Kong.

**Hong Kong, a global, East-meets-West city**

On the one hand, Hong Kong is firmly positioned as Asia’s world city a progressive, stable and free society. Mr. Tsang expressed his wishes: a) continue to leverage the institutional strengths that set Hong Kong apart in Asia and b) entrench its position as a major centre for international finance, shipping, trade, logistics and tourism. He referred to the advantages: Hong Kong’s own freely convertible and trusted currency, low taxes and simple taxation, a home to more than 3800 international companies, add another 2500 if you include the local offices of overseas companies! Hong Kong seeks to expand its air services agreements. It plays an active role in the WTO and APEC and has a network of overseas offices, soon a new office will be opened in Berlin.

**Inextricable part of China**

On the other hand, Hong Kong is a part of China. ‘About 95% of its population is ethnic Chinese and the ancestors came from Guangdong and further. We share the same culture and language. Hong Kong entrepreneurs are the largest external investors in China’, Mr. Tsang said.

There is a strong economic cooperation between Hong Kong and the Mainland of China.
The country’s eleventh Five-year Plan recognises Hong Kong’s pillar industries and upholds its status as an international centre for finance, trade and shipping. Mr. Tsang cited one example: the State Council is actively pursuing the expansion of renminbi business in Hong Kong. ((Hong Kong is drawing up an action agenda to address the challenges and opportunities presented by this Plan and to chart an economic path forward for Hong Kong.))

The speaker underlined the necessity to also react and re-adjust to the effects of globalisation on the country. China’s 5-year window to fully implement its WTO commitments will soon come to a close. China’s new dynamics will thus present an unprecedented challenge to Hong Kong’s position as well as unprecedented opportunities.
“We are more of a revolving door that ushers in trade and investment into the Mainland from Hong Kong and abroad, while on the return spin takes trade and investment form the Mainland out to Hong Kong”, Mr. Tsang said. To make this interplay clear, he referred to the Closer Economic Partnership Arrangement with the Mainland, CEPA (implemented in 2004) and to the Pan-Pearl River Delta initiative (Pan-PRD).
CEPA is akin to a free trade pact between China and Hong Kong. It has allowed the revival of Hong Kong’s domestic exports to China and it has allowed the Mainland to upgrade its services sector and management capabilities ahead of an influx of overseas players.
Pan-PRD Initiative will unlock the economic potential of a huge, integrated economy in southern China with Hong Kong providing the high-end business services and the management of capital flows and with the Pan-PRD partners providing land, abundant labour, local market know-how and enhanced market access.

He underlined the fact there is also co-operation in other areas ranging from infrastructure, education and culture, IT, tourism to public health, environmental protection. He is convinced that “there is enhanced understanding in the Mainland of what underpins Hong Kong’s success as a world city, and a deeper appreciation in Hong Kong of the relative strengths of the Pan-PRD provinces as well as enhanced avenues for exchanges”.

**A great future for Hong Kong**

Tsang concluded with repeating that Hong Kong is now entering a new phase of development that embraces the opportunities flowing from increased globalisation, as well as the fast-developing domestic market in China. The implementation of “One Country, Two Systems” demonstrates Hong Kong’s role as the most open, free and international city in China.
Hong Kong achieved much in its first decade as a Special Administrative Region of China. Mr. Tsang expects even greater achievements in the future.

**Further Information**

- For his CV, see <http://www.ceo.gov.hk/eng/biography.htm>

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