

# The Changing Cross-boundary Interactions between State and Society in South China\*

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## Abstract

This paper analyzes the challenges confronting the state authorities in managing cross-boundary social interactions between Hong Kong and southern China. This paper first provides an overview of the economic transformation of south China and its implications. Several cross-boundary issues, namely the pattern of demographic flows, cross-boundary housing, public health hazards, and other emerging social concerns, are examined to illustrate the changing trends of social interactions in the south China region. Several governmental responses to these developments, such as the establishment of intergovernmental mechanisms, the adaptation of a population policy in Hong Kong, and the increasing role of the central authorities in cross-boundary coordination, can be identified. With the extensive economic interdependence, governments in Hong Kong and the Mainland have to respond to the community demands for further facilitation of traffic and demographic movements and to cope with the various problems arising from such interactions. While Hong Kong's status under "One Country, Two Systems" is highly privileged

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within the unitary Chinese state, this special treatment has not engendered smoother cross-boundary cooperation. The scope of such intergovernmental interactions has already expanded to encompass a much wider agenda including social, environmental and public health issues. Nonetheless, despite the proliferation of intergovernmental mechanisms, whether these newly formed mechanisms are effective in addressing cross-boundary problems remains to be seen. Further, there are signs that the central authorities in Beijing were increasingly being asked by the HKSAR Government to play a role in balancing the different interests and governments in the south China region.

**Keywords:** cross-boundary cooperation, South China, Pearl River Delta, intergovernmental cooperation

## Introduction

The phenomenal expansion of cross-boundary social and economic interactions has recast the political and economic landscape in the south China region comprising Guangdong, Hong Kong and Macao. Many cross-boundary issues merit scholarly and governmental scrutiny. For instance, what is the pattern of cross-boundary social interactions since Hong Kong's reunion with the Mainland in 1997? Are the societies in both areas becoming more integrated or not? If so, what are the manifestations and implications of such a trend? What have been done by governments in both Hong Kong and the Mainland, especially the central authorities and Guangdong province, to cope with the consequences of such growing social interactions? Finally, what are the political and administrative implications of these governmental responses to the emerging social trends? This paper aims to examine the challenges confronting the state authorities in managing cross-boundary social interactions between Hong Kong and Guangdong province.<sup>1</sup>

This paper is organized into four parts. First, I will provide an overview of the economic transformation of south China and briefly discuss its implications. Second, several key cross-boundary issues, such as the pattern of demographic flows, cross-boundary housing, public health, and other emerging social concerns, will be examined to illustrate the salient trends in the changing social interactions in south

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<sup>1</sup> This intricate state-society relationship in south China involves not only the interactions between social actors on both sides, but also interactions between local governments and their respective communities as well as between local governments and the central government in Beijing. This paper cannot possibly cover all aspects of this multi-faceted relationship.

China. The governmental responses to some of these developments, such as the establishment of intergovernmental mechanisms, the adoption of a population policy in Hong Kong, and the role of the central authorities in cross-boundary coordination, will then be examined. The conclusion of this paper will offer some preliminary observations on the implications of these governmental responses to cope with the growth in cross-boundary social and economic interactions. My discussion will focus more on Hong Kong's concerns and the interactions between Hong Kong and its Guangdong counterparts and the central authorities in Beijing.

## **The Economic Transformation in South China: An Overview**

The economic and social transformation in contemporary south China can be traced to the reform and open policy adopted by Deng Xiaoping since late 1978.<sup>2</sup> Many scholars characterize the transformation as a market-driven phenomenon built upon the economic synergy between Hong Kong and the neighbouring Guangdong (Chun, 2004). However, this change also reflects a deliberate effort by the Chinese state to re-engage the world economy

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<sup>2</sup> For a survey of the cross-boundary economic links between Hong Kong and Guangdong, see, e.g., Michael Enright et al. 2003. *Hong Kong and the Pearl River Delta: The Economic Interaction*; Jianfa Shen. 2003. "Cross-border Connection between Hong Kong and Mainland China under 'Two Systems' Before and Beyond 1997." *Geografiska Annaler* Vol. 85B, No. 1, pp. 1-17; Victor Sit. 2001. "Globalization, Foreign Direct Investment, and Urbanization in Developing Countries." in Shahid Yusuf, Simon Evenett, and Weiping Wu eds., *Facets of Globalization: International and Local Dimensions of Development*, pp. 11-46.

and to achieve national unification, especially given the huge social and economic gap between Hong Kong and the rest of China at that time. In order to fully utilize its social and economic links with the neighbouring Hong Kong and to jumpstart its economic reform, Guangdong, together with Fujian, was granted “special policies, flexible measures” in 1979.<sup>3</sup> The state authorities on both sides of the Hong Kong-Guangdong boundary continue to play key roles in regulating the cross-boundary social and economic interactions since 1997 under the “One Country, Two System” framework.

The intimate economic ties between Hong Kong and Guangdong are characterized by extensive Hong Kong investment in export-processing industries and other sectors in the province in the past twenty five years. With the continuous inflow of Hong Kong and overseas investment, their transfer of management expertise and their access to foreign markets, Guangdong’s economy has experienced unprecedented growth since 1978. After more than two decades of rapid economic development, the Pearl River Delta (hereafter the PRD)—Guangdong’s economic core—has already emerged as a key economic powerhouse in the Mainland. The GDP of the PRD has grown from RMB 87 billion in 1990 to over RMB 836 billion in 2001. By 2001, the PRD already accounted for 8.7% of China’s GDP, 34% of exports and 29% of realized foreign capital (Enright et al, 2003: 26). Some economists hence characterize the Greater PRD comprising Guangdong, Hong Kong and Macao as “the world’s fastest-growing export-oriented manufacturing region.”

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<sup>3</sup> For an analysis of Guangdong’s special policies, see Peter T.Y. Cheung, 1998. “Changing Relations between the Central Government and Guangdong,” in Yeung Yuetman & David Chu eds. *Guangdong: Survey of*

The relocation and subsequent expansion of Hong Kong's manufacturing sector into the PRD where land and labour are both much cheaper has not only connected the south China region with the global economy, but also brought about increasing economic interdependence between Hong Kong and Guangdong. In 2004, Hong Kong accounted for 66% of the cumulative US\$176.5 billion of foreign investment actually utilized by Guangdong province.<sup>4</sup> According to a survey commissioned by the Federation of Hong Kong Industries (hereafter the FHKI) completed in 2002, the number of people working for Hong Kong companies in the PRD increased from an estimated 4 to 5 million in the 1990s to 11 million in 2002. Around 63,000 Hong Kong-based firms have invested in the manufacturing sector in the Mainland. Yet the majority of these firms, about 53,000 (84%), were located in Guangdong, especially Dongguan and Shenzhen, which are just across the boundary from Hong Kong. This process also brings about a massive reduction of Hong Kong's industrial workforce from over a million in the 1980s to around 400,000 in 2001 and approximately 170,000 in 2004.<sup>5</sup> Nonetheless, these 63,000 manufacturing and import-export companies based in Hong Kong not only directly employed 477,000 staff in Hong Kong, but also indirectly employed another one million in related producer services serving such cross-boundary manufacturing. This suggests that while there might be job losses in Hong Kong's manufacturing

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*Province Undergoing Rapid Change* 2<sup>nd</sup> ed. pp. 23-61.

<sup>4</sup> Calculated from Statistical Bureau of Guangdong. 2005. *Guangdong Tongji Nianjian 2004 (Statistical Yearbook of Guangdong 2004)*, pp.479-480.

<sup>5</sup> Calculated from the figures provided in Census and Statistical Department, The Government of the Hong Kong Special Administrative Region (hereafter HKSAR), *Hong Kong in Figures: 2005 Edition*, p. 12.

sector, there is also job creation in the services related to the manufacturing and import-export operations in south China. Hong Kong's economy has evolved into a predominantly service economy as a result of this process of economic transformation. The share of the service sector in Hong Kong's GDP rose from 67.3% in 1980 to 88.5% in 2004 and its share in employment jumped from 42% to 85.7% during the same period (Chun, 2006: 70).<sup>6</sup> Therefore, the contribution of manufacturing to Hong Kong's GDP, however, shrank from 23.7% in 1980 to only 4.1% in 2004 and its provision of employment plunged from 45.9% to 5.2 % during this period.<sup>7</sup> The Guangdong and Hong Kong economies are thus closely intertwined at the dawn of the 21st century.

The relocation of Hong Kong's service sectors into south China is also happening since the mid 1990s. Services, such as banking and telecommunication, have already relocated their labour-intensive operations such as call centres and data processing units across the boundary. Others have expanded their role in the Mainland because they are lured by the business opportunities after China's accession into the World Trade Organization (hereafter the WTO). The FHKI survey in 2003 suggests that this process may even speed up in the near future. According to the survey, there were some 83,000 Hong Kong employees working for Hong Kong-based firms on a close to full-time basis, but within five years, there might well be a loss of over 20,000 such jobs.<sup>8</sup> More than half of the companies surveyed

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<sup>6</sup> Also see, the Government of the Hong Kong Special Administrative Region Government, *Hong Kong in Figures: 2005 Edition*, pp. 12 and 15.

<sup>7</sup> *Ibid.*

<sup>8</sup> Federation of Hong Kong Industries, *Made in PRD: The Changing Face of Hong Kong Manufactures (Part II and Full Report: Executive Summary)*.

indicated that they would enlarge their operations in Guangdong, except for functions in headquarters and financial management. Half of them have already replaced all the Hong Kong staff in engineering with Mainland employees. About one quarter indicated that they have already replaced their R & D and management staff from Hong Kong. What is even more significant is that about one quarter of the companies said they would replace all their Hong Kong staff in engineering, R & D, management, sales and marketing, and finance-accounting-legal functions with Mainland staff within five years. In fact, more than half of the firms surveyed believed that they would eventually replace all their Hong Kong employees working in Guangdong. In other words, with the continuing huge gap in salary between Hong Kong and the Mainland, the improvement of investment environment and the provision of qualified staff in Guangdong, Hong Kong-based firms in manufacturing and import-export will eventually expand the provision of producer services in south China and replace their Hong Kong staff with Mainland workers.

Nonetheless, whether the Hong Kong staff to be displaced by the Mainland workers can find employment elsewhere in the Mainland or Hong Kong is hard to assess at this point. In fact, the conclusion of the Closer Economic Partnership Arrangement (hereafter CEPA) in June 2003—which opened China's service sectors to Hong Kong professionals and firms about one or two years ahead of the WTO schedule—may also be a new impetus for Hong Kong's managerial and professional staff to seek new career and business opportunities across the boundary. These cross-cutting trends aptly reveal the intricate social and economic trends in south China. The Government of the Hong Kong Special Administrative Region (hereafter the



HKSAR) would nonetheless have to cope with the economic challenges and the social consequences engendered by the growing integration between the two areas.

## **The Changing Cross-boundary Social Interactions in South China**

Paralleling the growing economic integration in south China is the amazing growth in cross-boundary social interactions. Many studies of border and border regions show that they have different forms and sizes (Anderson, 1999). Aside from exhibiting the characteristics of most borders and border regions elsewhere, the Hong Kong-Guangdong case also has several unique features. First, the status of the Hong Kong-Guangdong boundary was changed from an international boundary between the United Kingdom and the People's Republic of China to an internal boundary inside China. Since the mid 19th century and up to June 1997, Hong Kong was governed as a British colony. Therefore, this area is different from other border and cross-border regions where they actually span the borders of different sovereign states. Nonetheless, the sharp growth in cross-boundary traffic and demographic flows has compelled both Hong Kong and the Mainland to adopt measures to facilitate these flows. Second, the Basic Law has laid out the legal parameters for a material boundary because Hong Kong enjoys, among others, the privilege of a free port, its own currency, and a separate customs territory. The "One Country, Two Systems" framework has set the HKSAR apart from other Mainland cities. Indeed, the boundary between Hong Kong and the Mainland has to be "real". Otherwise,

foreign countries may not treat Hong Kong as a separate entity and all other related privileges accorded to Hong Kong would be rolled back.<sup>9</sup>

Third, the political framework and the socio-economic geography of cross-boundary interactions in south China do not entirely concur. The overwhelming majority of Hong Kong people are Cantonese sharing extensive linguistic, cultural and social affinities with Guangdong province. However, the two societies have radically different economic, political and legal systems. Such dissimilarities are also exhibited in the strong local identity of the Hong Kong people. According to the surveys on the identity of the residents in Hong Kong conducted by the Chinese University of Hong Kong, more than half of the respondents regarded themselves simply as "Hong Kong people" (Xianggan ren) ever since the survey was conducted in 1985. When they were asked to choose among "Hong Kong people," "Chinese," "both Hong Kong people and Chinese" or "neither Hong Kong people nor Chinese," about 60% of the respondents regarded themselves as "Hong Kong people" in 1985. While this figure dropped somewhat to 56.5% in 1997, it stays at the range of 51 to 57% in surveys carried out between 2001 and 2005. The share of respondents who regarded themselves as "Chinese" (Zhongguo ren) alone has never reached 40% or more throughout the surveys before and after 1997. Their share in the total actually fell from 36% in 1985 to 32.5% in 1997, and the figure varies in the range of 31 to 37%

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<sup>9</sup> Foreign concerns over Hong Kong are both political and economic. Their concerns will serve as an incentive for Beijing to keep its promise of a high degree of autonomy as well as the "One Country, Two System" framework for Hong Kong. Further, a more porous boundary between Hong Kong and the Mainland may facilitate even more illegal activities, such as smuggling of humans and goods, which would likely aggravate their concerns.

between 2001 and 2005.<sup>10</sup> A clear regional identity or mindset in both Hong Kong and Guangdong, despite extensive cross-boundary social and economic interactions, has not emerged. In spite of the growing economic interdependence, calls for closer political and administrative convergence or integration, have rarely been articulated since such integration is often perceived as the erosion of the “One Country, Two Systems” policy. The mass media, the business community, and the ordinary people in Hong Kong have in fact developed a rather negative impression of the governmental authorities in south China; they were often characterized as inefficient and arbitrary, if not corrupt. After surveying the characteristics of the south China region, the following sections will examine the remarkable changes in several areas of social and demographic interactions and discuss their implications.

### **Changing Patterns of Cross-Boundary Travel and Demographic Movements**

The Hong Kong-Guangdong boundary is likely one of the world's busiest land boundaries because the cross-boundary movement of people, especially from Hong Kong to the Mainland, has

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<sup>10</sup> Timothy Wong Kar-ying and Wan Po-shan. 2004. “Dui zhongguo de ‘chongxin xiangxiang’: huigui hou shenfen rentong de yanxu yu bianhua” (“‘Re-imaging’ of China: The Continuities and Changes in Identity after Reunification.”) in Lau Shiu-kai, Timothy Wong Kar-ying and Wan Po-shan eds., *Xianggang shehui Zhengzhi de yanxu yu bianqian* (*The Continuities and Changes of Hong Kong Society and Politics*), pp. 213-242; “Siyuefan xianggang shinin dui zhongguo dalu fazhan yijian diaocha jieguo zhaiyao” (“Summary of the Results of the Survey on the Development of the Mainland of China from Hong Kong Residents in April.”) Hong Kong Institute of Asia-Pacific Studies, The Chinese University of Hong Kong. [www.cuhk.edu.hk/hkiaps/telpress/CHI\\_HK\\_2005\\_PRESS.pdf](http://www.cuhk.edu.hk/hkiaps/telpress/CHI_HK_2005_PRESS.pdf). (18 April 2005)

increased by leaps and bounds since 1997. First, reflecting the flourishing social and economic interactions, cross-boundary passenger and vehicle traffic flows have grown remarkably. The volume of vehicles moving between Hong Kong and Guangdong increased from about 8.5 million in 1997 and over 14 million in 2004.<sup>11</sup> The number of Hong Kong resident departures for the Mainland rose from 33 million in 1997 to 59.7 million in 2004.<sup>12</sup> The average annual growth rate of two-way cross-boundary passenger flows during 1997-2002 is 12.6%, which is much higher than that of 8.8% in the 1990-1996 period (Chun, 2006: 71). The average daily flow of cross-boundary vehicular traffic already rose from 26,000 in 1997 to 38,530 in 2004, an increase of 48%, but the average daily flow of cross-boundary passenger traffic at land control points jumped more than 110% from 175,824 in 1997 to 372,190 in 2004.<sup>13</sup> The number of Mainland visitor arrivals to Hong Kong also more than tripled from 2.3 million in 1997 to 6.8 million in 2002. While the total number of visitors fell in 2003 because of the Severe Acute Respiratory Syndrome (hereafter the SARS) epidemic, the number of Mainland visitors to Hong Kong continued to rise and reached 8.4 million that

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<sup>11</sup> Census and Statistics Department, HKSAR, PRC. 1998. *Hong Kong Annual Digest of Statistics 1998*, p. 143; *Hong Kong Monthly Digest of Statistics, July 2003*, pp. 100-101. Also see "Hong Kong 2003 – Population and Immigration Control," HKSAR Government Information Center, 2004, [www.info.gov.hk/yearbook/2003/english/chapter20/20\\_03.html](http://www.info.gov.hk/yearbook/2003/english/chapter20/20_03.html); *Hong Kong Monthly Digest of Statistics, February 2005*, pp.115-116.

<sup>12</sup> *Hong Kong in Figures: 2005 Edition*, p. 37.

<sup>13</sup> The figures of vehicular traffic are from *Hong Kong Monthly Digest of Statistics, February 2005*, pp. 102-103 and "Hong Kong-A New Era." HKSAR Government Information Center, 1998, [www.info.gov.hk/yearbook/1997/ch15/e15c.htm](http://www.info.gov.hk/yearbook/1997/ch15/e15c.htm). The figures of passenger flows are from Chun Yang, "The Pearl River Delta and Hong Kong." p. 79, and *Hong Kong Monthly Digest of Statistics, February 2005*, pp.115-116.

year.<sup>14</sup> With the relaxation of entry of Mainland tourists through the introduction of the Individual Visit Scheme in July 2003, the number of Mainland visitors to Hong Kong further rose to 12.2 million in 2004!<sup>15</sup> The rapid expansion of cross-boundary traffic and passenger flows aptly reveals the unfolding social and economic interactions between the two areas.

Second, the pattern and motivation of cross-boundary trips has clearly become much more varied. The three cross-boundary travel surveys conducted by the HKSAR Government, respectively in 1999, 2001, and 2003, provide the most systematic data for assessing such travel patterns.<sup>16</sup> The overall trend shows a steady growth in the frequency of cross-boundary travel. Owing to the restrictions imposed on Mainland visitors coming to Hong Kong, which was only relaxed in mid-2003, the majority of trips were made by Hong Kong residents. In 2003, 78% of cross-boundary trips were undertaken by Hong Kong residents and another 10% were made by Hong Kong residents living

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<sup>14</sup> *Hong Kong in Figures: 2005 Edition*, p. 38; and "Hong Kong 2003—Population and Immigration Control." HKSAR Government Information Center, 2004, [www.info.gov.hk/yearbook/2003/english/chapter20/20\\_03.html](http://www.info.gov.hk/yearbook/2003/english/chapter20/20_03.html)

<sup>15</sup> "Tourism Industry Makes Strong Start to 2005 with 1.89m January Arrivals." Press Release of the Hong Kong Tourism Board, Hong Kong Tourism Board, 27<sup>th</sup> January 2005, [partnernet.hktourismboard.com/pnweb/jsp/doc/listDoc.jsp?doc\\_id=75877](http://partnernet.hktourismboard.com/pnweb/jsp/doc/listDoc.jsp?doc_id=75877). In 2003, 1.64 million visas were issued under the Individual Visit Scheme and over 1 million have visited Hong Kong, *Wen Wei Po*, 7 February 2004, p. A3. In 2004, 4.26 million visitors under this Scheme have traveled to Hong Kong, see *The 2005-06 Budget*, HKSAR Government, para. 42.

<sup>16</sup> The data of the *Cross Boundary Travel Survey 2001* and *Cross Boundary Travel Survey 2003* can be found from the website of the Planning Department, HKSAR Government, see the webpage of the Planning Department of the HKSAR Government, [www.info.gov.hk/planning/index\\_e.htm](http://www.info.gov.hk/planning/index_e.htm). These surveys are the largest ever undertaken in Hong Kong. For instance, in the 2003 survey, which were carried out in all the control points over a two-week period in Nov. 2003,

in the Mainland. The number of trips made by Mainlanders has nonetheless risen from 5% in 1999 to over 10% in 2003. An overwhelming majority of the trips to the Mainland made by Hong Kong people living in Hong Kong (e.g. about 90% in 2003) were to Guangdong province, with two-thirds visiting mainly Shenzhen. Comparing the results of the three surveys, the key purpose of these trips by people living in Hong Kong is fairly consistent, i.e. mainly for leisure (about 41-42%) and visiting relatives and friends (20-23%). The share of passenger trips for business has actually slightly dropped from 29% in 1999 to 26% in 2003, but what merits particular attention is that the percentage of people going to work has jumped from a mere 2% to 10% during this period.

A group of frequent cross-boundary travellers is now clearly identifiable. There were already half a million frequent trip makers who usually travelled at least once a week between Hong Kong and the Mainland, especially Guangdong, in 2001, yet this number further rose by 20% to 600,000 in 2003. Among them, about 30,000 travelled for work on a daily basis.<sup>17</sup> About 164,900 persons living in Hong Kong travelled to the Mainland, most notably the PRD, for leisure at least once a week. In short, many people from Hong Kong now travel regularly across the boundary to Guangdong, and some do so frequently, whether to work, shop, or enjoy their leisure. Similarly, the number of Mainland visitors to Hong Kong has also risen, especially since July 2003.

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49,200 passengers and 11,700 drivers were successfully interviewed.

<sup>17</sup> About 17,000 lived in the Mainland and 13,000 lived in Hong Kong.

## Cross-boundary Working and Shopping

Coupling these frequent cross-boundary trips is the conspicuous growth of cross-boundary consumption activities after 1997. The Asian Financial crisis and the onset of economic stagnation since 1998, together with the obvious improvement in the quality of consumer products and services in the Mainland, have attracted many ordinary Hong Kong people to flock to Shenzhen and other parts of the PRD for cheap consumer products and other leisure activities.<sup>18</sup> While the amount of consumption by Hong Kong visitors in the Mainland was roughly similar to that of the Mainland visitors in Hong Kong (around HK\$26 billion) in 2002, Mainland tourists already spent more in Hong Kong (HK\$37.8 billion) than their counterparts from Hong Kong in the Mainland (HK\$20.4 billion) by 2003.<sup>19</sup> Further, the average expenditure per person-trip of the Mainland visitors (HK\$5,235 in 2003) was about nine times that of the Hong Kong visitors (HK\$600 in 2003) because Mainland visitors tended to purchase jewellery, cosmetics, foreign-made electronic products, and brand name fashion while visiting Hong Kong, whereas Hong Kong visitors preferred purchasing cheap electronic products, herbal medicine, household items and Chinese food in the Mainland. Some Hong Kong people

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<sup>18</sup> There are very few systematic studies of cross-boundary consumption behaviour in south China. The following analysis mainly uses primary data collected by the HKSAR Government. The 2002 data are from the Census and Statistics Department, quoted in Chun Yang, "The Pearl River Delta and Hong Kong," p. 74.

<sup>19</sup> "Consumption Expenditure of Hong Kong Residents Travelling to the Mainland of China, 2000-2003." in *Hong Kong Monthly Digest of Statistics, May 2004*, pp. FA1-FA12; *Hong Kong Annual Digest of Statistics 2004*, p.210 and "Tourism Spending Jumps to HK\$91.8 billion in 2004." Press Release of the Hong Kong Tourism Board, 9 March 2005, [partnernet.hktourismboard.com/pnweb/jsp/doc/listDoc.jsp?doc\\_id=76032](http://partnernet.hktourismboard.com/pnweb/jsp/doc/listDoc.jsp?doc_id=76032).

living close to the boundary can even take regular weekly trips to Shenzhen and nearby areas to shop for food and household items, often at a fraction of the prices in Hong Kong. Whereas Shenzhen and other nearby PRD cities have benefited tremendously from the regular inflow of Hong Kong consumers, Hong Kong's leading shopping districts now look forward to the inflow of Mainland tourists, especially since mid 2003. In fact, shopping is often considered more important than touring for many of these Mainland tourists. In other words, the cross-boundary shopping route, i.e. by Hong Kong visitors in the Mainland, has become balanced by the inflow of Mainland shoppers back into Hong Kong, after the launching of the Individual Visit Scheme.

Another salient development is that an increasing number of Hong Kong residents are working in the Mainland. One set of systematic household surveys carried out by the Census and Statistics Department of the HKSAR Government provide a glimpse of the trend of Hong Kong residents working in the Mainland and their socio-economic profile. The estimated number of Hong Kong residents working in the Mainland had more than doubled from 64,200 in 1992 to 157,300 in 1998. Between 1998 and 2004, their number further increased sharply by 55%. According to the 2004 survey, some 244,000 Hong Kong residents, representing 7.6% of the workforce, had worked in the Mainland.<sup>20</sup> About 66.5% of this group were mainly male aged 30 to 49, compared with 59% of the total workforce. Over 85% of the Hong Kong people surveyed worked in

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<sup>20</sup> See *South China Morning Post*, 9 May 2003, p. A5 and Census and Statistical Department, HKAR, PRC. 2004. *Hong Kong Residents Working in the Mainland of China: Special Topics Report No.38, Social Data Collected*



the Mainland because of their work requirement; 19% cited "better career prospect" and a mere 7.1% cited "easier to seek jobs" as the reason. The overwhelming majority of these people worked in Guangdong (88%), especially Shenzhen (40.6%) and Dongguan (26%).

Both the education level and salary of the Hong Kong residents working in the Mainland were higher than the general workforce in Hong Kong. About 40% of this group had tertiary education, compared with only 28% of the total working population, and more than 34.4% of these Hong Kong residents who worked in the Mainland were managers and administrators, and another 44.0% were professionals or associate professionals. They were primarily serving in manufacturing (40.2%), and wholesale, retail, import and export trade, restaurants and hotels (39.6%). The median monthly earnings of these Hong Kong people working in the Mainland were HK\$16,000, which was considerably higher than the median monthly earnings of the working population in Hong Kong, i.e. HK\$9,800.<sup>21</sup> Nonetheless, the Hong Kong residents did not stay in the Mainland for long. Their average duration of each stay was 3 days, but the median frequency of their trips to work in the Mainland was 30 times during the 12 months before the survey.

A more integrated south China region is clearly in the making. The planned improvements in boundary crossing (e.g. the

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*via the General Household Survey.*

<sup>21</sup> This figure refers to the salary of the 235,400 employed persons who had worked in the Mainland during the 12 months before enumeration and were still required to work there in their present job at the time of enumeration, but this figure should be similar to the 244,000 who had just worked in the Mainland during the 12 months before enumeration.

improvement of the Huanggang-Lop Ma Chau control point) and other transport links (e.g. the construction of the Western Corridor linking Hong Kong and Shenzhen) will further expedite more cross-boundary demographic movements. The conclusion of CEPA and China's gradual opening up after its WTO accession mean that more Hong Kong professionals may work in the Mainland or may even move their families there, either by taking advantage of the earlier opening up of the professional sectors, or by serving in foreign firms investing in the Mainland. With the pending construction of the Hong Kong-Macao-Zhuhai bridge linking Hong Kong and the western part of the PRD and the express rail link between Hong Kong and Guangzhou, such demographic movements will likely increase further in the coming decade.

### **Cross-boundary Housing Issues**

Hong Kong's real estate market has experienced a severe downturn with the onset of the Asian Financial Crisis and the introduction of a new housing policy by the HKSAR government after 1997. By 2003, property prices have dropped 50 to 60% if compared with the heydays of 1996-1997. Nonetheless, Hong Kong's property prices are still very expensive if compared with that of the Mainland. At the same time, real estate in the PRD experienced a new phase of development since the early 1990s. The attraction of property in the PRD for Hong Kong residents can be attributed to several important factors, including their low prices, their proximity, the gradual improvement of cross-boundary transport links and the marked improvement in the living conditions of the PRD. However, if a

growing number of Hong Kong residents buy property and perhaps reside in the PRD, this will have important impacts on Hong Kong's property market and other aspects of economy and society. Although the property markets in Hong Kong and Guangdong are not yet fully merged together, the developments in one market may influence the other in future because the number of property ownership and renting by Hong Kong people in Guangdong has been on the rise. The reverse flow of Mainland people purchasing property in Hong Kong has already happened, but given the high cost of real estate in Hong Kong, the volume will probably be small and will likely be concentrated on certain segments of the real estate market.

Two major studies done by the HKSAR Government in 2001 and 2003 have provided some useful, even if still preliminary, data on the Hong Kong residents' experience of and aspirations for taking up residence in the Mainland.<sup>22</sup> The results of the two surveys are broadly similar: there are clear signs that more and more Hong Kong residents will consider taking up residence in the Mainland in the near future. The 2003 survey indicates that the number of Hong Kong residents who had taken up residence in the Mainland had shot up from 41,300 in 2001 to 61,800 in 2003 (about 1.1% of all Hong Kong residents), an increase of 50% just within two years.<sup>23</sup> The number of residential

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<sup>22</sup> The summaries of these two surveys can be found in the website of the Planning Department, HKSAR Government, see the webpage of the Department at [www.info.gov.hk/planning](http://www.info.gov.hk/planning). The 2003 survey was done between May and August, so the impact of the CEPA arrangement could not be fully discerned. It should be noted that the HKSAR Government has not collected authoritative statistics of the number of Hong Kong residents who have resided permanently in the Mainland, so it is unclear how many have actually moved across the boundary and decided not to return to Hong Kong.

<sup>23</sup> These people had stayed in Hong Kong for at least one month but less than 3 months during the 6-month period before or after the reference time-point.

property in the Mainland owned and rented by Hong Kong residents had jumped from 218,000 in 2001 to 239,200 in 2003, which registered a 10% increase. About 89% of the properties were located in Guangdong province, notably Shenzhen and Dongguan, both of which are very close to Hong Kong. In other words, these Hong Kong people have already taken up a substantial amount of resident property in south China. The majority of these Hong Kong residents were living in Guangdong, especially Shenzhen. They were predominantly male, married and economically active. While the majority of these properties (62%) were used for self-use, such as second homes or vacation houses, the cross-boundary travel survey already shows an upward trend of people working in the Mainland and this may stimulate more desire for purchasing or renting property in the PRD in the near future.

The 2003 survey also shows an increase in the ownership of Mainland property by Hong Kong residents. There is an increase of 18% in the number of households owning and a decrease of 11% renting property in the Mainland respectively. In other words, some 277,200 and 35,900 persons respectively owned and rented residential properties in the Mainland. The 2003 survey shows that the median monthly personal income of these residents who owned resident property in the Mainland has fallen from HK\$10,200 in 2001 to HK\$7,200 in 2003. This might indicate that more middle lower income groups have shown a greater interest to purchase Mainland property.

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In other words, these Hong Kong residents have become "mobile residents." See also Census and Statistics Department. 2004. *Hong Kong Residents' Experience of and Aspiration for Taking Up Residence in the Mainland*.

What is even more significant is that when the household heads were asked whether their entire household intended to take up residence in the Mainland in the next 10 years, some 39,900 households (about 1.8% of all households in Hong Kong) expressed such an interest, and 20,100 of them may consider moving within the next five years, which marked an increase of 56% and 53% respectively when compared with the 2001 survey. The median monthly household income was HK\$14,400, which was lower than the figure of HK\$15,100 in 2001. Nonetheless, the number of individuals who had such an intention had somewhat dropped from 172,000 in 2001 to 161,100 in 2003 (about 3% of all Hong Kong residents). Among the key reasons that those persons who intended to take up residence in the Mainland in the next 10 years are the following: lower cost of living (39%), retirement (28%), and better living environment (25%). The median monthly personal income of this group had fallen from HK\$9,000 in 2001 to HK\$6,800 in 2003.

Nonetheless, similar to 2001, the 2003 survey shows that the remaining 96% of Hong Kong residents did not plan to take up residence in the Mainland. Many of the key reasons cited include: ownership of resident property in Hong Kong (34%), difficulties in adapting to or lack of familiarity with the Mainland environment (34%) and having a job in Hong Kong (28%). Actually, about 82% said they would not consider residing in the Mainland under any circumstances.

There are no studies undertaken in the PRD or other Mainland cities regarding the amount of property purchased by Hong Kong residents, hence the above data provide by far the most important

indicators. However, according to the estimates by a leading real estate agency in Hong Kong, the estimated number of Mainland flats purchased by Hong Kong residents has risen steadily from 12,700 to 14,100 units involving RMB 6.9 billion in 2001 to 15,500-16,700 units involving RMB 8.7 billion in 2004.<sup>24</sup> With the improvement of cross-boundary transport in the near future, it is conceivable that the number of Hong Kong residents taking up residence in the PRD will increase eventually. At this initial stage, it is likely that the properties purchased (or rented) are used as second homes or vacation houses. However, for areas like Shenzhen and Dongguan, the trend of commuting between these cities and Hong Kong (and perhaps purchase of property by Hong Kong residents) may become even more prevalent when boundary crossing and transportation improve further.

The preferred scenario in the minds of some top officials of the HKSAR Government and the private sector is that the high cost of living in Hong Kong will drive the lower classes to move to the PRD and hence reduce the demand for social services and health care, both of which are clearly more expensive in Hong Kong. Whether such a scenario, which was articulated most vocally when Antony Leung served as the Financial Secretary in 2001-2003, can materialize is uncertain. For instance, the non-portability of education, medical care and social services and the absence of a large number of employment opportunities in the Mainland for these low income groups from Hong Kong probably continue to be key constraints that inhibit them from moving to the PRD. The portability of Hong Kong's social services

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<sup>24</sup> See *Ming Pao*, 28 September 2004, p.A12 and 27 October 2004, p. B7.

and health care benefits across the boundary is a complicated issue that is unlikely to be resolved comprehensively in the near term. The improvement of transport links actually make it easier for Hong Kong residents to return to the SAR for, say, important and expensive medical care and services, unless the Government can reduce the availability of these service to this group. Nonetheless, the trend of Hong Kong people taking up residence in south China has increased since 1997, and this may have a long term impact not only on Hong Kong's own property market, but also other aspects of social and economic life.

### **Public Health Hazards**

Given the geographical proximity between Hong Kong and Guangdong and the rising social interactions, health hazards have become a new cross-boundary issue. Viruses know no boundaries. The tragic outbreak of SARS in south China in early spring 2003 not only shows the perils of cross-boundary epidemic, but also the immense difficulties of managing cross-boundary demographic flows. A notification system of infectious disease was set up before the SARS outbreak, yet the mechanism failed to curb the SARS outbreak in 2003. The lack of effective communication between health authorities on both sides and the unwillingness of Guangdong province to share its vital information about SARS with Hong Kong are important factors shaping the eventual outbreak in Hong Kong. Despite repeated calls from Hong Kong's health officials for information in the initial stage of outbreak, their Guangdong

counterparts still did not even respond.<sup>25</sup> Hong Kong's SARS crisis began to unfold after a "super-spreader" infected with the SARS virus from Guangzhou visited the HKSAR in late February 2003.<sup>26</sup> In mid February, only about 305 cases of SARS were reported in Guangdong. However, the epidemic soon haunted Hong Kong and the rest of China. It was not until mid April that both sides could establish an exchange and notification mechanism so that they could further cooperate and share information directly without going through the central authorities. By late April, the cumulative number of SARS cases skyrocketed to almost 1,600 in Hong Kong and 3,460 in Guangdong and the rest of China, killing more than three hundred people in these areas.<sup>27</sup> By late June, there were over 1,500 infected cases and 56 deaths in Guangdong and about 1,755 cases in Hong Kong and almost 300 deaths. Medical experts investigating the outbreak aptly concluded that Hong Kong's health sector and

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<sup>25</sup> See para. 3.7 in "Gathering of information/intelligence about epidemic of infectious diseases in the Mainland and strategy/ contingency plan of the Hospital Authority for dealing with a large-scale outbreak of an infectious disease." in Select Committee of the Legislative Council of the Hong Kong Special Administrative Region. 2004. *Report of the Select Committee to inquire into the Handling of the Severe Acute Respiratory Syndrome Outbreak by the Government and the Hospital Authority*, pp. 27-37. The Report can be downloaded from the internet at [www.legco.gov.hk/yr03-04/english/sc/sc\\_sars/reports/sars\\_rpt.htm](http://www.legco.gov.hk/yr03-04/english/sc/sc_sars/reports/sars_rpt.htm).

<sup>26</sup> I have addressed these and related issues in "The SARS Outbreak and Cross-boundary Cooperation in South China." paper presented to the Eighth Biennial Conference of the Chinese Studies Association of Australia held at the University of New South Wales in 10-12 July 2003.

<sup>27</sup> See "WHO Severe Acute Respiratory Syndrome (SARS)-Multi-country outbreak-Update 43." World Health Organization, [www.who.int/csr/don/2003\\_04\\_30/en/index.html](http://www.who.int/csr/don/2003_04_30/en/index.html)(30 April 2003)



professionals needed to enhance collaboration in data reporting, surveillance and exchange with its counterparts in the PRD.<sup>28</sup>

### **Other Emerging Cross-boundary Social Concerns**

With the growing volume of cross-boundary demographic movements and the introduction of the Mainland Individual Visit Scheme, many new social issues have emerged on the horizon. One concerns the delivery of babies by pregnant Mainland women in Hong Kong. The number of pregnant women from Mainland delivering their babies in Hong Kong has risen substantially in recent years, as it is now becoming easier for Mainland people to visit Hong Kong. According to the current practices of the HKSAR Government, Mainland women would not be refused entry even if they were pregnant. Hong Kong can only rely upon the assistance of Mainland authorities in paying attention to this issue during their processing of applications for exit permits by Mainland women. If the babies delivered in Hong Kong are Chinese nationals, they will then enjoy the right of abode in the territory. This has not only offered a loophole for Mainland people to get the right of abode in Hong Kong, but also created pressure on the provision of obstetric care and paediatric services.<sup>29</sup> The number of births registered in Hong Kong by Mainland women who were two-way permit holders (i.e. visitors) or illegal

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<sup>28</sup> See HKSAR Government. 2003. "Chapter 18: Main Recommendations of the Report of the SARS Expert Committee of the HKSAR Government." in the SARS Expert Committee, *Report in SARS in Hong Kong: from Experience to Action*, pp. 165-172. The chapter in the report can also be downloaded from the internet at [http://www.sarsexpertcom.gov.hk/textonly/english/reports/reports/files/e\\_chp18.pdf](http://www.sarsexpertcom.gov.hk/textonly/english/reports/reports/files/e_chp18.pdf)

immigrants jumped from 8000 in 2000 to 9,900 in 2003, an increase of 24% within four years.<sup>30</sup> By 2003, one in five of the babies delivered in Hong Kong's hospitals came from Mainland mothers (i.e. 10,168), an increase of 3.6% if compared with 2002.<sup>31</sup> In 2004, the total number of babies from Mainland mothers rose further to 12,915, 3,630 of whom were from parents without the right of abode in Hong Kong.<sup>32</sup> These mothers, if they did not have the proper permits, will nonetheless be repatriated after their deliveries.<sup>33</sup> At present, about 84% of the husbands of these women are Hong Kong citizens because they wanted their child to be borne in Hong Kong and could stay afterwards, hence bypassing the requirement that they need to apply for a certificate of entitlement and queue before coming to Hong Kong. Further, many of these mothers failed to pay the non-resident medical fees when they delivered their babies in Hong Kong's public hospitals.<sup>34</sup> In fact, Hong Kong's legislators have already raised

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<sup>29</sup> *Ming Pao*, 9 October 2004, p. A15.

<sup>30</sup> The data comes from the Immigration Department, HKSAR Government, May 15, 2004, but this refers to the actual number of birth certificates to the children delivered by illegal Mainland immigrants and those who came to Hong Kong on a two-way permit.

<sup>31</sup> *South China Morning Post*, 10 October 2004, p. 4. In 2003, 8,714 of the 35,367 babies delivered in Hong Kong's Hospital Authority were to Mainland women whereas in 2002, 8,235 of the 37,039 deliveries were to Mainland women. Only a small number were delivered in private hospitals because the charges are more expensive than the public hospitals.

<sup>32</sup> "The Fertility Trend in Hong Kong, 1975-2004." in *Hong Kong Monthly Digest of Statistics*, April 2005. Also see *Ming Pao*, 22 April 2005, p. A13.

<sup>33</sup> There is no information about whether these babies have stayed in Hong Kong afterwards, and the data for 1997-1999 are not available. The data of babies born in Hong Kong to women who were visitors or illegal immigrants come from the Immigration Department, 15 October 2004. Also see *South China Morning Post*, 10 October 2004, p. 4 and "LCQ19: Mainland women gave birth in Hong Kong." Press Release of the HKSAR Government, 26 November 2003, [www.info.gov.hk/gia/general/200311/26/1126191.htm](http://www.info.gov.hk/gia/general/200311/26/1126191.htm)

<sup>34</sup> The amount of such unpaid fees rose from HK\$1.6 million in 2001-02 to

questions about the situation in the meeting of the legislature, and this may become a potentially controversial issue if the situation further deteriorates.

Similarly, Mainland visitors who overstayed and worked as illegal workers have become a new social concern.<sup>35</sup> Hong Kong's labour groups have long criticized the HKSAR Government for failing to take adequate action to deal with this problem. The number of illegal workers from the Mainland, including both Mainland visitors and illegal immigrants, caught rose only gradually from 1,927 in 1997 to 2,366 in 2001, but the figure more than doubled to 4,952 by 2003.<sup>36</sup> A total of 4,313 persons from the Mainland (including visitors and illegal immigrants) working illegally were arrested in the first ten months in 2004.<sup>37</sup> The actual situation may well be much worse because the illegal workers could work for their relatives in Hong Kong and hence could not be easily caught. The Hong Kong law enforcement agencies also could not devote most of their efforts to the

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HK\$2.6 million in 2002-03. See "LCQ17: Non-HK residents giving birth in HK." Press Release of the HKSAR Government, 12 May 2004, [www.info.gov.hk/gia/general/200311/26/1126191.htm](http://www.info.gov.hk/gia/general/200311/26/1126191.htm).

<sup>35</sup> In fact, the number of employers convicted of employing illegal workers has increased from 264 in 2000 to 303 in 2002, and another 287 were convicted in the first nine months of 2003. The Government statistics did not differentiate those employers who were convicted of employing illegal workers from the Mainland and from other areas. See "LCQ8: Penalties for employing illegal workers." Press Release of the HKSAR Government, 22 October 2003, [www.info.gov.hk/gia/general/200310/22/1022178.htm](http://www.info.gov.hk/gia/general/200310/22/1022178.htm).

<sup>36</sup> The data were provided by the Security Bureau, HKSAR Government, 18 October 2004. The majority of these illegal workers are Mainland visitors on various visa types, only less than 200 illegal immigrants were caught each year between 1999 and 2003.

<sup>37</sup> "Measures to Combat Illegal Employment." Paper Submitted by the Security Bureau of the HKSAR Government to the LegCo Panel on Security, the Legislative Council of the HKSAR, 30 November 2004, [www.legco.gov.hk/yr04-05/english/panels/se/papers/se1207cb2-294-1e.pdf](http://www.legco.gov.hk/yr04-05/english/panels/se/papers/se1207cb2-294-1e.pdf).

raids on illegal workers.<sup>38</sup> Nonetheless, such numbers do not really threaten the livelihood of the majority of the existing working population, who are more concerned with the increasing relocation of jobs across the boundary. In response to the need to retrain unskilled workers, the HKSAR Government has injected more funding into the Employees Retraining Scheme, which was originally launched in 1992. Starting from 2000, an annual recurrent subvention of around HK\$400 million has been allocated to this Scheme, whose main target is the group of displaced workers aged 30 or more, but with less than lower secondary education. In fact, the number of trainees in government-sponsored retraining programmes already almost doubled from 55,632 in 1997/98 to over 103,536 in 2002/03.<sup>39</sup> However, the high unemployment rate in Hong Kong since 1999 (in the range of 6 to 8%) suggests that the process of economic restructuring will continue to have major impact on the working people who cannot adapt to the changing circumstances, and such retraining schemes are unlikely to fully arrest these structural trends.

The increase of cross-boundary crimes has also attracted much community attention in Hong Kong, especially in view of the growth of Mainland visitors. The total number of Mainland people who have been arrested for having committed crimes in Hong Kong, including prostitution and illegal employment, has already doubled from 5,617 in 2000 to 11,717 in 2002, and 12,121 in the first 9 months of 2003. The majority were arrested for prostitution (58%) and illegal

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<sup>38</sup> There are also illegal workers with other nationalities, but those from the Mainland accounted for 94% of the total in the first ten months of 2004.

<sup>39</sup> See the statistics provided at the Employment Retraining Board of the HKSAR Government at [www.erb.org/english/content5.shtml](http://www.erb.org/english/content5.shtml).

employment (29%).<sup>40</sup> The number of Mainland visitors arrested for suspected involvement in prostitution in fact more than tripled from 3,057 in 2001 to 10,863 in 2003.<sup>41</sup> Similarly, the number of Mainland visitors convicted also nearly tripled from 4,136 in 2000 to 11,243 in 2003.<sup>42</sup> While the number of Mainland people who have committed crimes in Hong Kong is still not large, especially given the huge increase since mid 2003, this problem has nonetheless loomed large in the minds of Hong Kong people. Another problem that attracted extensive media attention is that Hong Kong residents had become crime victims in the Mainland. The popular Hong Kong newspapers often devote a great deal of coverage to news on these victims, such as Hong Kong people being held for ransom or tortured by the robbers. Hong Kong's legislators have already voiced concern over such issues because the HKSAR Government could not offer much assistance to these victims.<sup>43</sup>

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<sup>40</sup> "LCQ2: Mainland visitors arrested for having committed crimes." Press Release of the HKSAR Government, 22 October 2003, [www.info.gov.hk/gia/general/200310/22/q2e.htm](http://www.info.gov.hk/gia/general/200310/22/q2e.htm).

<sup>41</sup> "LCQ11: Persons suspected of involving prostitution in Hong Kong." Press Release of the HKSAR Government, [www.info.gov.hk/gia/general/200407/07/0707183.htm](http://www.info.gov.hk/gia/general/200407/07/0707183.htm).

<sup>42</sup> The latest figure available for 2002 only includes data for the first ten months. As of October 2003, there are 3,473 Mainland Chinese who are serving prison terms. See "LCQ18: Mainlanders serving sentences in Hong Kong." Press Release of the HKSAR Government, 8 October 2003, [www.info.gov.hk/gia/general/200310/08/1008173.htm](http://www.info.gov.hk/gia/general/200310/08/1008173.htm). Information obtained from the Security Bureau and the Immigration Department of the Hong Kong SAR Government, 12 May 2005 and 23 May 2005.

<sup>43</sup> Between April 2003 and May 2004, there was a total of 283 Hong Kong people being detained or held for ransom, see "LCQ4: Hong Kong residents being crime victims in the Mainland." Press Release of the HKSAR Government, 23 June 2004, [www.info.gov.hk/gia/general/200406/23/0623238.htm](http://www.info.gov.hk/gia/general/200406/23/0623238.htm).

## State Responses to the Growing Social Interactions in South China

State responses to the rapidly developing cross-boundary social interactions are incremental and reactive. For instance, in response to the growing cross-boundary traffic flows, the operating hours of the control points have been extended, but only one of the land checkpoints in Hong Kong are open 24 hours for both goods and passengers. The main passenger control point at Lowu is still not open around the clock, possibly because of the HKSAR Government's concern over the impact on the property market and the service sector. The following section examines three salient developments addressing different state responses to the cross-boundary social interactions in south China: (1) the growth of intergovernmental cooperation mechanisms, (2) the formulation of a population policy by Hong Kong, and (3) the increasingly activist role of the central government in coordinating cross-boundary issues.

### Growth of Intergovernmental Mechanisms

One of the most immediate responses to cross-boundary issues is the gradual establishment of intergovernmental mechanisms. Owing to the competing views and interests of the different governments involved and their concerns with the repercussions of such measures for "One Country, Two Systems," intergovernmental mechanisms have evolved in a gradual manner.<sup>44</sup> Both the Chief Executive

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<sup>44</sup> The following discussion on intergovernmental mechanisms draws selectively from my unpublished manuscript, "Cross-boundary Cooperation

(hereafter the CE) of the HKSAR Government and the Governor of Guangdong, emphasized the significance of cross-boundary cooperation as soon as the HKSAR was established in 1997. The high level Hong Kong/Guangdong Cooperation Joint Conference (hereafter the HKGDCJC) to be headed respectively by Guangdong's Executive Vice Governor and HKSAR's Chief Secretary for Administration (hereafter the CS) was established in 1998 to provide a strategic framework to foster closer cross-boundary cooperation.

Intergovernmental relations between Guangdong and Hong Kong engage many different policy sectors. Some of these sectors, such as customs, are the prerogative of the central government. Others, such as economic development and environmental protection, come mainly under the authority of the provincial and subprovincial authorities. In addition to the many direct contacts between individual government departments, there are three standing cross-boundary mechanisms: (a) the Cross-boundary Liaison System (established in 1982) which deals with boundary crossing; (b) the Mainland/HKSAR Conference on the Coordination of Major Infrastructure Projects, and most importantly, (c) the Hong Kong/ Guangdong Cooperation Joint Conference (established in 1998), which has now become the umbrella framework for coordinating all key areas in cross-boundary cooperation.

In the 1998-2002 period, several alternatives on cross-boundary cooperation, especially over the environment, transportation and tourism, were considered by the HKGDCJC. Nonetheless, perhaps with the exception of tourism and the gradual improvement in boundary crossing, these efforts were not particularly successful.

Hence this mechanism has not fully achieved the original objectives as laid out by the CE, or the Guangdong Governor in 1998. Despite the high-level status of the mechanism, the HKGDCJC has experienced various difficulties in its operation. For instance, the HKSAR Government did not have a clear strategy for cross-boundary cooperation when this mechanism was established. The HKGDCJC is supposedly scheduled to meet twice a year. In practice, after the first two meetings, which respectively took place in March 1998 and September 1999, the HKGDCJC did not hold meetings for the third time until one year later in September 2000. This suggests that both sides could not agree on the agenda or there were no immediate issues that could be tabled for approval. The fourth and fifth meetings were later convened in July 2001 and March 2002. Key cross-boundary measures over issues such as environmental protection, boundary crossing and tourism, all of which were key issues for Hong Kong, dominated the agenda of this mechanism until mid 2001. The Guangdong side was obviously disappointed at the initial operation of this mechanism because economic cooperation was not the focus. It was not until the fourth meeting held in July 2001 that more economic policy issues finally made it to the agenda. While this mechanism has resulted in agreements on some cross-boundary issues, it has nonetheless not enhanced cross-boundary cooperation to the more strategic level of policy coordination as anticipated.

The primary interest of the HKSAR Government, especially during the first term of C.H. Tung, was to facilitate the flow of people and goods in the PRD, especially the improvement of boundary crossing and infrastructural links, and the management of environmental problems. Although both parties agreed that these



issues should be addressed, the Guangdong authorities favored much more government initiative in supporting cross-boundary economic cooperation. Despite the initial momentum achieved in 1997-1998, few major concrete initiatives were launched in 1999 and 2000. With the appointment of Donald Tsang as the new CS in mid 2001, a host of initiatives on cross-boundary matters, such as the extension of boundary crossing hours, more coordination in infrastructural development and facilitation of the inflow of Mainland tourists, have been proposed.<sup>45</sup> New topics were soon put on the HKSAR Government's policy agenda, such as a new express rail link between Hong Kong and Guangzhou, the exploration of cross-boundary cooperation in logistics, and finally, the consideration of a bridge link between Hong Kong and the western part of the PRD. A small team, the Hong Kong Guangdong Cooperation Coordination Unit, was soon established under the office of the CS to help with many practical tasks in administrative coordination.<sup>46</sup>

C.H. Tung's Policy Address in January 2003, the first in his second term, finally considered economic integration between Hong Kong and Guangdong as a key policy initiative. In the 6th HKGDCJC

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<sup>45</sup> In order to better coordinate the various government bureaus and departments in handling cross-boundary affairs, the Hong Kong Guangdong Cooperation Coordination Unit was established under the office of the Chief Secretary and Financial Secretary in August 2001 to help these top officials monitor the implementation of the initiatives endorsed at the Hong Kong-Guangdong Cooperation Joint Conference, to review existing policies and arrangements, especially in transportation and boundary crossing, and to tap input from the community to further cross-boundary cooperation. See "Hong Kong-Guangdong Joint Cooperation Unit." Paper from the Hong Kong Guangdong Cooperation Coordination Unit of the HKSAR Government Submitted to the Panel on Commerce and Industry of the Legislative Council of the HKSAR, November 2001, [www.legco.gov.hk/yr01-02/english/panels/ci/papers/ci-1112-cb1-220-1e.pdf](http://www.legco.gov.hk/yr01-02/english/panels/ci/papers/ci-1112-cb1-220-1e.pdf).

held in August 2003, a number of vital institutional changes and policy endeavours were introduced. Both sides finally agreed on a general division of labour in economic development. Guangdong agreed to develop itself into one of the world's prime manufacturing bases whereas HK would work toward the goal of "an important service centre in finances, business, transportation, logistics and high-value-added services." The guiding principles for cooperation are defined as "forward-looking, comprehensive, pragmatic, and mutually beneficial." More privileged treatment of Hong Kong investors in Guangdong's service sectors such as retail and transportation would be provided under with the CEPA framework.

The HKGDCJC framework was only reorganized in August 2003 in order to encourage more policy coordination over cross-boundary issues and to better manage the process of social and economic integration. The Joint Conference has now been upgraded to the level of the heads of administration, as they will be presided by Guangdong's Governor and the CE. More importantly, a permanent liaison office under the conference has been set up. An Executive Vice Governor and the CS will be responsible for "steering and taking forward the co-operation items." Research organs on both sides will be tasked to undertake studies on Hong Kong-Guangdong cooperation. A total of fifteen expert groups overseeing a dozen of cooperation items are consolidated and established under the Joint Conference in order to achieve more coherence in intergovernmental cooperation over key priority areas, including economic and infrastructural development, tourism, education, infectious diseases, joint promotion,

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<sup>46</sup> *Ming Pao*, 6 November 2001, A9.

and expanding economic cooperation to Guangdong's hinterland. Having learned from the bitter lessons of the SARS epidemic, the Conference has finally put the issue of infectious disease directly under the Hong Kong-Guangdong cooperation framework, and the province has promised to share the information on unexpected or new infectious diseases that it submits to the Ministry of Health with Hong Kong in future.

Further, responding to the requests of Hong Kong's business community, a business committee comprised of business leaders, representatives from major business associations, professional bodies, the Hong Kong Trade Development Council and the Hong Kong Productivity Council, and representatives of the relevant government departments were launched in March 2004 to foster more exchanges between the government and business sectors and between them and their counterparts in Guangdong. While cross-boundary advisory commissions involving both governmental and non-governmental actors are often found in other countries, this is the first major initiative in incorporating societal input into cross-boundary mechanisms in south China.<sup>47</sup> Since the membership of this Council was only confirmed in spring 2004, it is too early to assess its effectiveness. In short, despite some initial hiccups in the 1997-2000 period, it is clear that the HKSAR Government has taken firm steps to undertake various intergovernmental initiatives in order to manage cross-boundary issues and to promote better cross-boundary cooperation.

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<sup>47</sup> North American examples include the Great Lakes Commission that engages state and provincial governments, experts and other stakeholders in the US and Canada to examine economic and environmental issues in the

## Formulation of a Population Policy by Hong Kong

The formulation of a population policy by Hong Kong is by far the most comprehensive attempt to address a social concern arising from cross-boundary social interactions. In view of the aging of Hong Kong society, the low fertility rate, and the prospect of the continuing inflow of a large number of Mainland migrants who were spouses and children of Hong Kong residents, the HKSAR Government decided to formulate a "population policy" in the aftermath of the controversy over the right of abode issue in 1999. The new immigrants from Mainland, i.e. those who have stayed in Hong Kong for less than 7 years, are mainly wives or children of Hong Kong residents and of those aged 15 or above, their education level is lower than the total population.<sup>48</sup> But the daily quota of 150 is mainly offered to these immigrants coming for family reunion. After two years of study, the HKSAR Government finally released a report which proposed different initiatives on population policy in February 2003.<sup>49</sup>

Some of the policy measures do not have a major impact on cross-boundary demographic movements, e.g. imposing a levy on Hong Kong residents hiring foreign domestic helpers, and considering policy support for the elderly. But most others clearly have important bearings on cross-boundary demographic movements, such as improving the management of the admission of the children and

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Great Lakes region.

<sup>48</sup> For instance, only 30% the immigrants have secondary or above education, as compared with 52% of the total population. The data can be found in the *Report of the Task Force on Population Policy*, the Report can be downloaded from the internet at [www.info.gov.hk/info/population/eng/report\\_eng.pdf](http://www.info.gov.hk/info/population/eng/report_eng.pdf).

<sup>49</sup> *Ibid.*

spouses of Hong Kong residents in the Mainland, providing more incentives to tertiary institutions to attract more Mainland and overseas students, and reducing the restrictions for admission of Mainland professionals. It was also proposed that the entitlement to the Comprehensive Social Security Assistance would only apply to those new immigrants who have resided in Hong Kong for seven years. Nonetheless, other more controversial issues, such as the availability of subsidized public services for Hong Kong residents who are absent from the territory for a long period of time, and the portability of social services across the boundary and its implication for Hong Kong's public finance, are only raised as issues for further studies. The recommendations of this report have been largely introduced, but some achieved only limited success. For instance, the introduction of investment immigrants in Hong Kong, under the 'Capital Investment Entrant Scheme', only applies to residents from Macao, Taiwan and overseas countries. Mainland investors are not included in the scheme, possibly out of concern that they would use Hong Kong as a means of channeling money out of the Mainland. By late 2003, only a total of 150 applications for the investment immigrant scheme had been received.<sup>50</sup> By April 2005, the total number of such applications reached 764.<sup>51</sup>

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<sup>50</sup> See "Hong Kong 2003–Population and Immigration." HKSAR Government Information Center, 2004, [www.info.gov.hk/yearbook/2003/english/chapter20/20\\_11.html](http://www.info.gov.hk/yearbook/2003/english/chapter20/20_11.html).

<sup>51</sup> Except for 145 that are still being processed, the processing of all other applications has been completed, of which 371 have been granted "Formal Approval" and 122 have been granted "Approval in Principle". See "LCQ1: Capital Investment Entrant Scheme." Press Release of the HKSAR Government, 27 April 2005, [www.info.gov.hk/gia/general/200504/27/04270150.htm](http://www.info.gov.hk/gia/general/200504/27/04270150.htm).

The revamping of the policy on the admission of Mainland professionals is perhaps the most important cross-boundary initiative arising from the population policy exercise. Hong Kong used to adopt a restrictive policy toward the admission of Mainland people to work in the territory, although the policy toward other foreign nationals is more liberal. In order to promote a more knowledge-based economy and to enhance economic competitiveness, the HKSAR Government has adopted various schemes to attract Mainland talents to work in the territory after 1997, but the effectiveness of such efforts is rather limited.<sup>52</sup> Such a process came only gradually because of the Government's concern with the political sensitivity of admitting more outside job seekers during a time of economic downturn. After the intense lobbying effort by the private sector, the HKSAR Government first introduced two schemes to attract Mainland talents and professionals to work in Hong Kong. One was introduced in mid December 1999 to attract people with expertise and skills not available in Hong Kong, especially in "technology-based, knowledge-intensive and high-value added activities." Yet, by 2002, only 256 applications have been approved for applicants in IT, communication, multimedia technology and engineering. Another scheme was introduced in June 2001 to attract Mainland professionals in IT and financial services were introduced, but by 2002, only 268 applications

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<sup>52</sup> It should be noted that the following discussion does not take into account the number of Mainland professionals or talents who have attained a foreign citizenship and then move to work in Hong Kong. Such data are not available. It is clear that in various service sectors, such as law, consulting, banking and finance, quite a number of Mainland talents who have received advanced degrees from foreign countries have been working in Hong Kong. But their numbers probably will not change the overall picture that is described below.

were approved.<sup>53</sup> These two schemes demanded a high level of qualifications and the processing of these visas was slow, hence both failed to attract a large number of such talents or professionals to Hong Kong. In addition, Hong Kong's business environment, which lacks a conducive infrastructure for promoting hi-tech or IT related sectors, could hardly compete with the attraction of other booming Mainland cities such as Beijing, Shanghai or even Shenzhen.

Following the recommendations of the population policy, a less restrictive policy on admitting Mainland talents and professionals was adopted in mid 2003. A combined scheme was introduced in mid July 2003 to replace the two previous programs, and no more sectoral restrictions or quotas would be imposed under this new scheme. By the end of 2003, over 1,500 visas for such Mainland talents and professionals had been processed. The Immigration Department received 6,232 applications to the Scheme in 2004 and approved 5,095 applications, of which 3,389 were related to academic research, and 320 were related to commerce and industry.<sup>54</sup> Starting from August, 2001, students from Mainland China who have graduated from

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<sup>53</sup> The above data come from "Chapter 20: Population and Immigration Hong Kong Yearbook 2002." HKSAR Government Information Center, 2003, [www.info.gov.hk/yearbook/2002/ehhtml/e20-07.htm](http://www.info.gov.hk/yearbook/2002/ehhtml/e20-07.htm).

<sup>54</sup> All these three schemes allow the spouses and unmarried children of the person admitted to apply for entry to Hong Kong as dependants and they all may apply for the right of abode after having resided in Hong Kong continuously for seven years. "Statistics on Admission Scheme for Mainland Talents and Professionals." Immigration Department, HKSAR Government [www.immd.gov.hk/ehhtml/hkvisas3.5\\_12.htm](http://www.immd.gov.hk/ehhtml/hkvisas3.5_12.htm) (25 April 2005); "Lifahui: Baoanju juzhang jiu 2005nian xingzheng zhangguan shizhengbaogao zhixie yi'an dongyi bianlun zhici quanwen." ("Legislative Council: Full text of the Speech by the Secretary for Security on the Motion of Thanks Debate of the Chief Executive's Policy Address 2005.") Press Release of the HKSAR Government, 25 January 2005, [www.info.gov.hk/gia/general/200501/27/01270131.htm](http://www.info.gov.hk/gia/general/200501/27/01270131.htm)

publicly funded higher educational institutions in Hong Kong since 1990 are allowed to find jobs in the territory, provided that they have skills or knowledge of value to, but not readily available in, Hong Kong. In 2001, only 21 such graduates received approval to work in Hong Kong. Although the number rose to 97 in 2002 and 113 in 2003, the number of Mainland graduates who will work in Hong Kong through this channel is likely to be small.<sup>55</sup>

In short, with the growing economic integration between Hong Kong and the Mainland, Hong Kong realizes that it needs to adopt a more holistic approach in managing demographic flows. While maintaining the existing quota system of admitting Mainlanders for family reunion, the HKSAR Government has completely reversed the policy toward attracting Mainland talents to work and stay in Hong Kong. The trend is to further open up Hong Kong's job market to qualified Mainland talents and graduates, as long as their skills or expertise are needed, but the data so far do not indicate that a really large number of qualified applicants have come, or will soon come to Hong Kong. Hence, the immediate challenge for Hong Kong is actually to continue to attract more Mainland or overseas talents. At the same time, various localities or government agencies from coastal cities such as Shanghai or Shenzhen have also held recruitment expos to lure Hong Kong professionals to work in the Mainland. Nonetheless, given the relatively lower income offered by Mainland units, it is unlikely that a large number of Hong Kong professionals would end up working for Mainland firms or government offices because the main trend for these Hong Kong people is still to operate

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<sup>55</sup> The data here are compiled from the various *Hong Kong Yearbook*, 2001-2003.



their own business or firms, or to work for Hong Kong or other overseas companies stationed in the Mainland.

### **An Increasingly Activist Central Government**

In view of the lack of progress in Hong Kong-Guangdong cooperation in 1997-2000, the central government has stepped in and expedited regional cooperation since 2002, most importantly in facilitating the 24-hour boundary crossing and coordinating infrastructural development such as the proposed Hong Kong-Zhuhai-Macao bridge. For instance, Guangdong no longer exhibited the same kind of enthusiasm in 2001-2002 when Hong Kong became much more concerned with the need to connect better with the western part of the PRD. The feasibility study led by the researchers from the National Development and Reform Commission generally supported the construction of a Hong Kong-Zhuhai-Macao bridge.<sup>56</sup> Nonetheless, the proposed Hong Kong-Zhuhai-Macao bridge linking Hong Kong with the western PRD conflicts with Guangzhou's plan to develop Nansha into a major port. Shenzhen is also not eager to see Hong Kong extending its logistic reach to the western delta. In fact, the improvement of their infrastructure and transportation services, such as Shenzhen's Yantian Port and Guangzhou's new airport, already suggests keener competition with Hong Kong. Hence central government support is critical in regional development project like this bridge.

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<sup>56</sup> *Hong Kong Commercial Daily*, 26 July 2003, p.A3. The National Development and Reform Commission stated that the feasibility report would be presented to the State Council for approval in July 2003, see *Wen Wei Po*, 1 July 2003, p.A15.

Most importantly, the conclusion of the CEPA arrangement is widely considered as a means by the central authorities to help the HKSAR Government to restructure the Hong Kong economy and to benefit from the economic integration with the Mainland. This unprecedented free trade area arrangement was proposed by Hong Kong's business community, which soon gained government approval, as a response to reap benefits from China's accession to the WTO. After more than 18 months of tough negotiation, the central government and the HKSAR government signed the CEPA on June 29, 2003. In fact, the conclusion of CEPA provides an important policy platform for both Hong Kong and Guangdong to forge closer links in the services sector. In order to relax the rigid control over the inflow of Mainland visitors into Hong Kong and to boost tourism, personal visits to Hong Kong by residents from eight cities of Guangdong were further relaxed with the introduction of the Individual Visit Scheme. This relaxation was later applied to all residents from the province in mid 2004.<sup>57</sup> Other major coastal cities such as Beijing and Shanghai also benefit from this scheme. The scheme has been further extended to 9 cities in Fujian, Jiangsu and Zhejiang provinces on 1 July 2004 and most recently, to Tianjin and Chongqing on 1st March 2005.<sup>58</sup> The importance of the Scheme is that the relaxation in travel will facilitate not only tourism, but also business and all other kinds of personal visits between Hong Kong and the Mainland.

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<sup>57</sup> The data is from the secretary general of the Guangdong provincial government, *Wen Wei Po*, 29 November 2003.

<sup>58</sup> *Hong Kong Commercial Daily*, 1 July 2004, p.A3; *Ta Kung Pao*, 18 February 2005, p.A8

The CEPA constitutes a landmark in the economic integration between Hong Kong and the Mainland, especially south China.<sup>59</sup> Starting from January 1, 2004, Hong Kong can export 374 types of goods to the Mainland tariff-free and 17 of its service sectors can also enter the Mainland market, especially Guangdong, earlier than overseas countries.<sup>60</sup> In late August 2004, the CEPA arrangement was further liberalized.<sup>61</sup> Zero tariffs would be applied to 713 Mainland products, which were on top of the original 374 products receiving the special treatment. On trade in services, the Mainland will also grant preferential treatment in eight new areas such as airport services, cultural and entertainment services, and the liberalization for 11 out of the 18 services receiving preferential treatment under CEPA will be expanded. In other words, a total of 26 services ranging from legal services and banking to distribution and freight forwarding will benefit from such arrangements. The geographical restriction and business scope for individually owned stores set up by Hong Kong permanent residents with Chinese nationality will be lifted. These new measures have taken effect from January 1, 2005. These measures, if effectively utilized, might help Hong Kong professionals and firms to enjoy some time advantage and preferential treatment before China fully opens up in accordance with the schedule of the WTO. While

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<sup>59</sup> Based on the presentation by Ms Zhou Meng, a deputy bureau chief in trade promotion bureau of the Ministry of Commerce, and other speakers at the CEPA Economic Forum, CEPA SME EXPO, Hong Kong, 2 December 2003.

<sup>60</sup> *South China Morning Post*, 30 June 2003, p. A1.

<sup>61</sup> For details see "CEPA II provides further trade liberalization." Press Release of the HKSAR Government, 27<sup>th</sup> August 2004, [www.info.gov.hk/gia/general/200408/27/0827152.htm](http://www.info.gov.hk/gia/general/200408/27/0827152.htm).

mainly economic in nature, the framework may also encourage closer social connections between Hong Kong and the Mainland.

## **Conclusion: Some Preliminary Observations on the Changing State-Society Relations in South China**

Many discussions of the future Greater PRD suggest the development of a metropolitan area whereby the movement of people and goods can be smoother and regional economic development can benefit the entire region.<sup>62</sup> Aside from Guangzhou and Shenzhen, there will be half a dozen or so budding cities in the PRD, and this cluster of cities inside the PRD will be linked up by a light transit system to be built in the coming decade. Hong Kong and Macao should be closely linked with this booming region with improved infrastructural links and transport services. However, such discussions focus on urban planning, environmental management, and economic integration, rather than on complex social and political challenges resulting from such a process of deep integration.

Many Hong Kong people still believe that the economic and social consequences of growing integration between Hong Kong and Guangdong may seriously affect Hong Kong's public finance and society. For instance, the growth in cross-boundary consumption by

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<sup>62</sup> See, for instance, Commission on Strategic Development. 2000. *Bringing the Vision to Life: Hong Kong's Long-term Development Needs and Goals*. The report can be downloaded from the internet at [www.info.gov.hk/cpu/english/evision.pdf](http://www.info.gov.hk/cpu/english/evision.pdf) and Michael Enright et al., *Hong Kong and the Pearl River Delta*.

Hong Kong residents may have impact on the city's domestic consumption and government revenue, and the growing inflow of Mainland visitors poses challenges to the urban infrastructure, public order and public health in Hong Kong. The availability of affordable and good quality real estate in Shenzhen and other parts of the PRD may also depress the Hong Kong property market in the future. As examined above, state authorities in Hong Kong and the Mainland have already spent an increasingly amount of efforts in managing the social consequences of the growing economic integration between Hong Kong and Guangdong. Yet the political and administrative implications of this emerging integration are far from clear and simple at this moment. Several developments merit particular attention.

First, with the extensive economic changes happening on both sides of the Hong Kong-Guangdong boundary and the emerging economic interdependence, governments in Hong Kong and the Mainland have to respond to the community demands for further facilitation of traffic and demographic movements and to cope with the various problems arising from such interactions. Such state responses were initially often incremental and reactive, rather than strategic and proactive, because the volume of cross-boundary traffic and demographic flows has gone beyond their expectation. Further, the HKSAR Government did not fully articulate a clear strategy and undertake concrete measures in expediting cross-boundary cooperation until around 2001, partly because of administrative inertia and partly because of concerns over the political implications of closer social and economic integration between Hong Kong and south China. Especially in the 1997-2000 period, many in Hong Kong, including some senior officials and various segments of society, still capitalized

on the importance of the "separateness" of Hong Kong under the "One Country, Two Systems" framework. For instance, the 24-operation of the boundary for passenger traffic was introduced only in late January 2003. It is not until much discussion in the community and championing by senior government officials in promoting cross-boundary cooperation have been conducted that such concerns have finally been allayed.

The political sensitivity concerning the solution of various regional issues (such as environmental protection), the competing interests of the different governments involved and the implications of regional cooperation measures for "One Country, Two Systems" further complicate the articulation of solutions to the many political and administrative challenges resulting from the integration process. Nonetheless, what is increasingly clear is that the need to manage the cross-boundary social trends has increased the involvement of the both the central and local states since the resolution of cross-boundary problems and the removal of obstacles to such cross-boundary social interactions often call for some form of state action and better intergovernmental coordination.

Second, while much of the intergovernmental attention on cross-boundary cooperation since 1997 was on boundary management, economic cooperation and infrastructural coordination, the scope of such intergovernmental interactions has expanded to encompass a much wider agenda including social, environmental and public health issues. For instance, in the aftermath of SARS, top health officials from Hong Kong, Macao and the Mainland recognized that the chances of people spreading infectious diseases across the boundary

merit special attention.<sup>63</sup> Educational and professional cooperation is another key cross-boundary item on the intergovernmental agenda in response to the growing economic integration. Aside from the various arrangements concerning the mutual recognition of qualifications in selected professions under the CEPA framework, the Ministry of Education in Beijing and the Hong Kong Education and Manpower Bureau signed a memorandum of understanding on mutual recognition of education qualifications in July 2004.<sup>64</sup> Education has also become a new item in Hong Kong-Guangdong cooperation, and agreements have been reached to explore cooperation between higher educational institutions, exchange between language teachers, and the operation of Hong Kong curriculum schools in Shenzhen to cater for the needs of Hong Kong children there.<sup>65</sup> Other educational initiatives that may have important long-term implications include the approval for Hong Kong's universities to recruit fee-paying Mainland students.<sup>66</sup> Similarly, while only a small number of Hong Kong students are studying in Mainland universities, these institutions have stepped up their recruitment of Hong Kong applicants recently because of the growing attraction of Mainland experience to these prospective

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<sup>63</sup> *South China Morning Post*, 17 October 2004, p.2.

<sup>64</sup> The text of the MOU can be downloaded from the internet at [www.emb.gov.hk/index.aspx?langno=1&nodeid=2491](http://www.emb.gov.hk/index.aspx?langno=1&nodeid=2491).

<sup>65</sup> This is reached in the seventh Hong Kong-Guangdong Cooperation Joint Conference held in August 2004, see "Seventh Plenary of Hong Kong/Guangdong Co-operation Joint Conference." Press Release of the HKSAR Government, 4 August 2004, [www.info.gov.hk/gia/general/200408/040804200.htm](http://www.info.gov.hk/gia/general/200408/040804200.htm).

<sup>66</sup> In 2002-2003 Hong Kong's public universities have admitted over 1,700 undergraduates and post-graduates from the Mainland. Hong Kong used to offer scholarships for Mainland undergraduates so that they could complete their degrees in Hong Kong, but this new scheme will allow Hong Kong universities to recruit fee-paying students.

students. In fact, the number of students from Hong Kong applying to pursue post-graduate studies in the Mainland has already risen from around 200 in 1995-2000 to 436 in 2001, and over 1,000 in 2003.<sup>67</sup> These developments may further expedite the social integration between Hong Kong and the Mainland.

Third, Hong Kong's status under "One Country, Two Systems" is highly privileged within the unitary Chinese state, but this special treatment has not necessarily entailed smooth inter-governmental cooperation between Hong Kong and the Mainland. On the one hand, while other localities in south China expected Hong Kong to take the lead in pursuing closer economic and social integration, Hong Kong still encountered considerable difficulties in such an endeavour. Actually, successful examples of intergovernmental cooperation in managing cross-boundary social interactions are largely confined to areas where both Hong Kong and Guangdong share common interests such as in fighting crimes. Crime is a direct threat to social and political stability in south China, so there is common interest among the local governments in the region to cope with such threats. Other more difficult issues, such as environmental pollution, are still hard to tackle. For instance, the deteriorating air quality in the PRD has compelled both sides to reach an agreement on improving air quality in April 2002. In fact, both Hong Kong and Guangdong agreed to draw up the PRD Regional Air Quality Management Plan to help meet the reduction levels of pollutants and a regional air quality monitoring

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<sup>67</sup> The data refer to those who apply through the Beijing-Hong Kong Academic Exchange Centre, the key agency handling such applications, see *Wen Wei Pao*, 4 September 2004, C02.



network is scheduled to be set up.<sup>68</sup> But two years after the conclusion of the 2002 agreement, the air quality in Hong Kong has actually deteriorated. Hong Kong's environment minister frankly admitted that there were things that Hong Kong could not do unilaterally and Guangdong's cooperation was critical in order to overcome the many hurdles in tackling cross-boundary pollution.<sup>69</sup> Yet, as long as the pace of economic growth in the PRD continues to be fast, it is difficult for Guangdong's provincial authorities to impose some of the policy measures to clean up the environment on its localities.

Fourth, whether the newly formed intergovernmental mechanisms to manage cross-boundary affairs are able to address such complicated cross-boundary problems remains to be seen. With greater state involvement in managing cross-boundary affairs, cross-boundary issues have also become highly politicized matters on the policy agenda, especially in Hong Kong where there is a pluralistic and vibrant civil society. While these new state responses carry important symbolic, political meanings as evidence of cooperation, rather than conflict and confrontation, in order to ensure public confidence, they also generate more debates about the proper form of intergovernmental relations under the framework of "One Country, Two System", especially in Hong Kong. Hence institutional adaptation and innovation will continue to be key features in the changing state-society relations in south China. For instance, the provision of "co-location" of customs and immigration services in the future Western Corridor road link between Hong Kong and Shenzhen

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<sup>68</sup> See "LCQ 1: Government actively studies the most practicable measures to improve air quality." Press Release of the HKSAR Government, 20 October 2004, [www.info.gov.hk/gia/general/200410/20/1020229.htm](http://www.info.gov.hk/gia/general/200410/20/1020229.htm).

is a good example. Moreover, the pattern of cross-boundary demographic movement may compel more provision of Hong Kong public services, either by the creation of public service agencies, the establishment of jointly managed agencies, or the contracting out of such services to service providers in Guangdong. Such scenarios may lead to different kinds of cross-boundary public-private partnership arrangements which are not yet found at the present moment.

Major changes may also happen inside the governmental structures of the state authorities in the region. For instance, the establishment of new government offices or reshuffling of bureaucratic functions to cope with cross-boundary issues has already taken place, and some form of regional governance structure should not be ruled out in the future. In fact, many people in the private sector have long called for the convening of a mayoral conference of key cities in the PRD as a means to facilitate intra-regional social and economic cooperation. What have been established so far are still mainly Hong Kong-Guangdong intergovernmental mechanisms.

Fifth, there are also signs that the central authorities in Beijing were increasingly asked by the HKSAR Government (and perhaps by Guangdong as well) to play a role in balancing the different interests and governments in south China, such as in the case of CEPA, boundary crossing, infrastructural coordination and tourism. Nonetheless, it is not entirely clear what the implications of these developments may have for "One Country, Two Systems." Will this hamper the autonomy of the HKSAR as the central authorities become more involved in coordinating regional issues in south China? Or will

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<sup>69</sup> *South China Morning Post*, 26 October 2004, p.A3.

the HKSAR better manage these cross-boundary problems if they could secure the support from the central government? What are the key challenges to Hong Kong's autonomy in view of the deepening social and economic integration with Guangdong? What is certain is that the consequences of social and economic integration between Hong Kong and south China, both extant and latent, have offered many new and difficult policy challenges to governments in both areas.

Last but not least, the management of cross-boundary social and economic flows will be a big challenge to the HKSAR Government's capacity to govern effectively. On the one hand, the volume of traffic and demographic movements signify important economic and social processes at work. As the CEPA provides for closer economic integration between both areas, Hong Kong's services may further expand into the Mainland and the accompanying outflow of professionals and revenue may have implications for the economy and public finance, unless Hong Kong's schemes to attract the inflow of overseas and Mainland talents and investment work as well. Other challenges, such as the need for Hong Kong and Guangdong to work closely together to solve cross-boundary problems, like infrastructure development, environment or public health issues, will demand great political and administrative skills from the top echelons of the HKSAR Government. So far, there are clear indications that they often have to rely upon the good will and support from the central authorities in managing various cross-boundary problems. The HKSAR Government and the future CE will soon find the management of cross-boundary social and economic issues one of their greatest challenges in governance.

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# 轉變中的華南地區國家 和社會之跨境互動

張贊賢\*

## 摘要

本文分析香港、廣東各省市和中央政府機構，在管理香港與華南地區社會互動時，所遇到之挑戰。本文首先論述華南地區之經濟轉型和其含義，從一些跨境議題中的案例，例如人口流動的狀況、跨境居住、公共衛生，和其他受社會關注的問題，去闡明華南地區社會互動中的趨勢。本文分析了各級政府在華南地區跨境合作上作出的回應，例如設立跨政府的協調機制、香港政府的人口政策，和中央政府協調跨境議題的措施。隨著兩地的經濟相互依賴不斷深入，香港與中國內地各有關政府，亦要因應社會上有關促進交通和人口流動的要求，及其他有關跨境互動的問題，作出回應和制定應對措施。雖然在中國單一制之政治制度下，香港擁有「一國兩制」的超然地位，但這特殊地位，並沒有為香港帶來更暢順的跨境合作。跨政府間互動的範圍，已擴展到更廣闊之議程，包括社會、環境及和公眾衛生等等。雖然跨政府機制不斷地增加，但這些機制能否有效地處理各項跨境議題，目前還有待觀察。最後，更有跡象顯示，香港特別行政區政府經常要求中央政府，擔當平衡各方(包括各地區政府)在華南地區利益的角色。

關鍵詞：跨境合作、華南地區、珠江三角洲、政府間合作機制

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