

# Seizing Mainland opportunities

## INTERVIEW WITH STEPHEN LAM JP

SECRETARY FOR CONSTITUTIONAL AFFAIRS, HONG KONG SPECIAL ADMINISTRATIVE REGION



**STEPHEN LAM** graduated in Social Sciences from the University of Hong Kong and holds a law degree from the University of London. A qualified barrister, Mr. Lam has had a distinguished career in the Hong Kong Civil Service and was also Director of the Hong Kong Economic and Trade Office in Toronto for three years (1991-94). Prior to assuming his current role he was Information Coordinator in the Office of the Chief Executive (1999-2002), and has also served as Director of Administration and Development at the Department of Justice (1997-99) and Director of the Handover Ceremony Coordination Office (1996-97).

### The numbers of protesters taking part in this year's pro-democracy march were down on previous years. What, in your view, is the current appetite for political reform among the citizens of Hong Kong?

I think it's very clear that Hong Kong people have democratic aspirations. They value very highly the freedoms of Hong Kong and our traditional rule of law. These are attributes which have made Hong Kong very successful in the past and will continue to make Hong Kong Asia's world city in the future.

I would say that between 2003 and 2005 the Hong Kong community has settled down. Economic growth has resumed, unemployment is lower, although it is still high by Hong Kong's historical standards at 5.5 per cent. So I think people view the economic prospects to be better, and against that backdrop people have also taken a more sanguine view of how far and how fast we can go down the path of democratic reform.

Hong Kong is not a sovereign entity; it never has been. Even before 1997, reforms to Legislative Council (LegCo) elections were given to Hong Kong in small doses at different periods. Since 1997 we have followed the blueprint set out in the Basic Law, and we have made progress: the Legislative Council is now fully elected, half of the seats are returned by direct geographical elections, the other half by functional constituency elections. The Chief Executive is returned by elections, albeit by an election committee comprising 800 members, but compared to the arrangements before 1997, Hong Kong people now clearly have a greater say and wider participation in the process.

Having conducted public consultation since January 2004, the government clearly understands that the Hong Kong community wishes to see a broadening of the representativeness of the elections for both the Chief Executive and LegCo. We have just issued a package of proposals which recommends that the electorate base for the Chief Executive Election Committee be broadened in 2007 by expanding the membership to 1,600 and by incorporating over 500 members of District Councils, of which over 80 per cent are directly elected. Likewise, LegCo is to be expanded from the current 60 seats to 70 seats in 2008; five of the new seats are to be returned through geographical direct elections and the other five by District Council Members electing amongst themselves. This represents substantive progress being made in promoting democracy.

### Donald Tsang barely mentioned electoral reform in his policy address. Has the issue slipped down the political agenda?

The question of constitutional reform and developments in our electoral systems remains a top priority for this administration. But electoral systems are only part of the picture; they are what I call electoral hardware. We also need political software, and by that I mean the grooming of political talent, creating room for people to participate in the political process, making it possible for people to pursue a political career.

Here in Hong Kong, we have created a layer of politically appointed Secretaries of the government, fourteen of them in all. They each serve a term of five years, alongside a Chief Executive who nominates them for appointments. And they come and go as a political team, very much like the Cabinet under the Westminster system. During the first half of next year, we will publish a report on the possibilities of extending this system of political appointments.

### Why is constitutional reform such a perennial "hot potato" in Hong Kong?

Constitutional issues are hotly debated all over the world, not only in Hong Kong. In Australia they have debated at least twice whether they should keep the Queen as head of state. In the United Kingdom you have debated very intensely the questions of devolution to Scotland, to Wales and how the House of Lords should be reformed; and throughout Europe you are debating and deciding on whether to accept the new European Union Constitution. Likewise, in Hong Kong we have to grapple with the issue of constitutional reform and the pace at which it should be pursued.

### How do you see the role of Hong Kong developing as China becomes more engaged internationally?

I think Hong Kong's comparative advantage lies in the fact that we are *the* international financial centre, *the* international logistics centre and *the* international commercial centre of China. We must continue to work hard at maintaining these comparative advantages. We also benefit from the fact that we have signed a free trade agreement with Beijing – the Closer Economic Partnership Arrangement, or CEPA – under the terms of which Hong Kong goods can enter Mainland China duty free and Hong Kong professionals can set up shop

in the Mainland. We also benefit from the fact that we have concluded agreements with nine provinces in southern China and Macau to form what we call the Nine plus Two Forum, and that enables Hong Kong to have an even broader hinterland. This means that Hong Kong will have better access to around one-third of the population in Mainland China, so that our manufacturers can have access to a larger pool of relatively well priced land and labour.

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**How successful has the scheme been to date?**

Well, we only started this forum in the middle of 2004 so it is still in its formative stage, but our cooperation with Guangdong province has been extremely successful. We now have about 70-80,000 Hong Kong companies and factories established in Guangdong province; we employ about eleven million people there and that is very much a model for the long term cooperation which we can have with the other eight provinces surrounding Guangdong. We also now have 24 hour customs clearance for goods coming to and fro between Hong Kong and the Mainland via Guangdong. These are cooperative initiatives which we will continue to pursue in the years ahead.

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**Is it possible to have ever-closer union with the Mainland and still preserve Hong Kong's unique identity, its systems and institutions?**

I think it is certainly possible and to some extent also necessary. "One Country, Two Systems" means that

Commanding heights: Hong Kong raised more capital than either London or Tokyo in 2004



Photography by William Farniss

Hong Kong's way of life, our legal system and our international links with the rest of the world stay as they are and continue to grow. At the same time, the Mainland Chinese economy will expand and so will China's links with the rest of the world. But this is not a zero sum game, this is a win-win relationship and Hong Kong stands to gain by espousing and pursuing free trade with the Mainland economy. Our professionals stand to gain by extending our network of services in the Mainland and our financial markets stand to gain by having ever more Chinese companies listed in Hong Kong.

At the same time, the Hong Kong common law system is firmly entrenched by our Basic Law, our constitution. And we have a Court of Final Appeal in Hong Kong which is very unique; out of the five senior judges sitting on our top bench there is always one from England, Australia or New Zealand. We have English Law Lords who are part of the panel of non-permanent judges of our Court of Final Appeal. We also have former chief justices from Australia and New Zealand.

Once these institutions have been created they acquire a life of their own, so I firmly believe that One Country, Two Systems is here to stay. But also, because of One Country, Two Systems our union with Mainland China will get closer, as demonstrated by the free trade agreement which we have with Beijing.

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**How do you see the outlook for the Mainland economy, and what are the implications for Hong Kong?**

The Mainland Chinese economy has been opened up to the rest of the world now for over a quarter of a century, so the foundations of a market economy are firmly entrenched in Mainland China. And now that Mainland China has joined the WTO her trading rules are being synchronised with the rest of the world, and many Chinese laws are being refined, adjusted and amended to bring these regimes into line with international practice. I think we can only see more progress being made.

A national goal has been set in the Mainland of quadrupling GDP between 2000 and 2020. They recently held a party plenum which evaluated the progress made in the last five years and it appears that substantive progress has already been made. For Hong Kong, this has tremendous implications. A continuation of economic growth between 7-9 per cent per annum throughout Mainland China and double digit growth in coastal areas will lead to substantial wealth accumulation and capital formation among Mainland companies. This will impact on tourism to Hong Kong, real estate values in Hong Kong and the business for our financial markets in the territory, so these are prospects which international companies, including British companies, should bear firmly in mind. **F**

**Hong Kong companies employ eleven million people in Guangdong and we regard this as a model for cooperation with other neighbouring provinces**