

COMMENTHK

28th ANNIVERSARY of the HKSAR

SAR attained achievements amid challenges

Tu Haiming says given a multipronged approach, a gradual recovery in local consumer market is well within reach

As the Hong Kong Special Administrative Region celebrates its 28th anniversary, the sixth-term SAR government also completes its third year in office. Clear indicators show that Hong Kong's overall economy has followed a robust upward trajectory over the past three years under the current administration. At the same time, reform is being pursued and implemented in many policy areas, generating strong momentum for further development and attaining numerous commendable breakthroughs.

Over the past three years, Hong Kong has emerged from a downturn and returned to positive territory. Improvements have been observed in multiple areas, including median household income, waiting time for public rental housing, labor benefits and rights, and primary healthcare. The city's gross domestic product has grown for nine consecutive quarters, surpassing HK\$3 trillion (\$382 billion). Incomes for wage earners have increased in real terms, and inflation has remained broadly stable.

The financial sector, serving as the economic barometer, has delivered a set of encouraging indicators.

Since the beginning of this year, the average daily turnover of Hong Kong's stock market has exceeded HK\$240 billion. In terms of IPO fundraising, Hong Kong ranked first globally again. New-economy and biotech companies accounted for approximately 14 percent of the listed firms, over 27 percent of total market capitalization, and more than 30 percent of total turnover. These figures point to a dual-track improvement in both scale and quality.

As of the end of March, the number of funds registered in Hong Kong reached 976, with net capital inflows exceeding \$44 billion or a year-on-year increase of 285 percent. It is projected that within two to three years, Hong Kong will become the world's leading cross-border asset management center. These figures indicate that Hong Kong has become a major destination for international capital.

Statistics for 2023 showed that the number of new business policies issued in Hong Kong reached 1.08 million, with total premiums nearing HK\$220 billion, or increasing over 40 percent and 70 percent respectively compared to 2022. As of April, total deposits in local banks exceeded HK\$18 trillion, representing a 19 percent increase from the end of June 2022. These figures demonstrate the significant strengthening of Hong Kong's insurance and banking sectors.

In September 2024, the Global Financial Centres Index (GFCI) 36 Report, by Z/Yen from the United Kingdom and the China Development Institute from Shenzhen, ranked Hong Kong third globally. In the GFCI 37 Report, released in March, Hong Kong maintained its third-place position, scoring 10 points ahead of Singapore and only two points behind London.

These notable achievements in the financial sector highlight the effectiveness of the current administration in delivering on the goal of "better integrating a capable government with an efficient market". A two-pronged approach has helped to produce these positive results.

First, the administration persistently pursued progress in various areas in a steady manner. For instance, despite being confronted by various pressures and risks, Hong Kong has firmly advanced reforms in the financial sector. Measures have been introduced to facilitate the listing of tech firms and US-listed Chinese enterprises in the local stock exchange. Efforts have also been made to seek national policies that enhance financial connectivity between Hong Kong and the Chinese mainland.

Second, the administration has adopted a proactive governance style. For example, Chief Executive John Lee Ka-chiu has led multiple delegations to the Middle East and Association of Southeast Asian Nations countries, attracting investment from Middle Eastern sovereign wealth funds and encouraging family offices from ASEAN countries to establish operations in Hong Kong.

Over the past three years, the HKSAR government has made great strides in innovation and technology, and these efforts are now beginning to bear fruit. By the end of 2024, the number of local startups reached 4,700 — a



Tu Haiming

The author is vice-chairman of the Committee on Liaison with Hong Kong, Macao, Taiwan and Overseas Chinese of the National Committee of the Chinese People's Political Consultative Conference, and chairman of the Hong Kong New Era Development Thinktank.

record high. Hong Kong Science Park and Cyberport have nurtured 22 listed companies and 20 unicorns, with affiliated startups holding over 700 intellectual property rights. Since the end of 2022, Hong Kong has attracted over 80 frontier technology enterprises, which are expected to invest over HK\$50 billion and create more than 20,000 jobs in the initial years of operation. Since July 2022, Invest Hong Kong has attracted and assisted nearly 1,400 overseas and mainland companies with establishing or expanding their respective businesses in Hong Kong, which are expected to bring in over HK\$100 billion in investment and create about 20,000 jobs. Since the end of 2022, various talent admission plans have brought more than 210,000 professionals to Hong Kong. In 2023, the city's gross research-and-development expenditures approached HK\$33 billion, representing a year-on-year increase of 10 percent.

These encouraging trends suggest that the HKSAR government's targeted policies — focusing on talent, capital, enterprises and platforms — are paying off. Once fully activated, the innovation and technology sector has the potential to become a powerful new engine driving Hong Kong toward a leap in economic development.

While the current administration has taken numerous steps to boost local consumption, it remains lackluster despite the broader economic recovery. Statistics show that private consumption declined by 0.6 percent in 2024 and by 1.1 percent in the first quarter this year. Subdued local consumption could be attributed to two key factors — the growing trend among Hong Kong residents of "going north" to spend; and the increasing availability of international brands on the mainland, which has diluted Hong Kong's appeal as a shopping destination for mainland residents.

Both the HKSAR government and the business sector have recognized the profound changes in the consumption landscape and are mulling a transformation. For example, the cultural and tourism industries are implementing the concept of "tourism is everywhere in Hong Kong". Many retailers are expanding their online businesses both locally and internationally. Chain restaurants are launching limited-edition menu items to attract customers.

It is also worth noting that policies approved by the central government — including expanding the Individual Visit Scheme to cover more mainland cities, raising the tax-free quota for mainland residents shopping in Hong Kong and Macao, and reinstalling the multiple-entry-permit arrangement for Shenzhen residents — are yielding positive results in Hong Kong's consumer market. Meanwhile, major infrastructure projects, such as the third runway at Hong Kong International Airport and the construction of the Kai Tak Sports Park, are supporting "mega-event economy" development.

Recently, Secretary for Commerce and Economic Development Algernon Yau Ying-wah led a delegation to France to attend China Forum organized by Business France in Paris, where he promoted Hong Kong's unique role as a gateway to Asia and the Chinese mainland. The Hong Kong Trade Development Council will host another edition of the Hong Kong Shopping Festival in August to help local businesses leverage e-commerce platforms to explore the mainland market.

All these efforts signal a speeding-up of Hong Kong's consumption sector transformation and upgrading. With a multipronged approach, a gradual recovery in the local consumer market is well within reach.

The views do not necessarily reflect those of China Daily.

Enhancing national security always matters

This year marks the 28th anniversary of Hong Kong's return to the motherland and the fifth anniversary of the implementation of the Hong Kong Special Administrative Region National Security Law.

In March 2024, Hong Kong finally completed legislation according to Article 23 of the Basic Law, enacting the Safeguarding National Security Ordinance (SNSO). The NSL and SNSO together have the potential to prevent, suppress, and punish acts that seriously endanger national security.

The two laws, to a considerable extent, have plugged the loopholes in the HKSAR's laws and enforcement mechanisms for safeguarding national security, empowering the SAR to effectively shoulder its constitutional responsibility for safeguarding national security and allowing the "one country, two systems" principle to be fully and accurately implemented. Over the past five years, hostile forces at home and abroad have been kept at bay, and Hong Kong's stability, order, and public security have been maintained, allowing the city to focus on socioeconomic development.

However, the two laws only target the national security threats that were evident during the anti-Article 23 legislation campaign in 2003, the "Occupy Central" campaign in 2014, and the "black-clad" riots in 2019-20.

They are designed to primarily counter conventional national security threats. However, as an international metropolis with a high degree of openness and numerous international connections, Hong Kong also faces a variety of nonconventional national security threats, which could become more severe in the future.

This is because the rapid advancement in science and technology, especially in information, cybernetworks, financial technology and artificial intelligence, has increasingly given rise to unprecedented national security threats. Moreover, to curb China's rise, the United States is likely to continue its attempts to undermine the HKSAR's value and role in China's national development.

Currently, US policy toward China is dominated by the super hawks. They advocate maximal decoupling from China to try to contain, attack, and isolate China all-out. Recently, the White House launched a tariff war against the whole world, mainly targeting China. In the wake of China's fierce counterattack, the tariff war has largely failed. However, Washington is unlikely to give up. It could continue



Lau Siu-kai

The author is a professor emeritus of sociology at the Chinese University of Hong Kong and a consultant to the Chinese Association of Hong Kong and Macao Studies.

to pummel China on other fronts, such as finance, shipping, and technology. Consequently, Hong Kong is likely to remain a "chess piece" in Washington's China-containing offensives.

In recent years, the US has become increasingly hostile to Hong Kong. After the implementation of the NSL, the US launched wave after wave of attacks on Hong Kong, including sanctions on its officials, suspension of judicial cooperation with the city, cutting cultural and educational ties, restricting high-tech exports, hampering its students from studying in the US, imposing tariffs at the same level as those on the Chinese mainland, vilifying the SAR to damage its international image and reputation, calling for and restricting US and Western capital from investing in the city, moving to close its economic and trade offices in the US, and threatening to sanction its judges.

In the past, the US expected Hong Kong to serve as a bridgehead for promoting "peaceful evolution" in China, but this expectation has been shattered. Today, Washington regards the SAR as an "accomplice" in assisting China's rise, so the city's prosperity and stability are no longer in the fundamental interests of the US; on the contrary, Washington hopes that the SAR will become a burden for China. Therefore, we cannot assume that the US will treat Hong Kong well, and we must be vigilant and take precautions against Washington's potential plots against the city.

As Sino-US relations become increasingly tense, the US' intention to use the HKSAR to undermine China's national security is becoming increasingly apparent. For this reason, the central government, the HKSAR government, and all sectors of Hong Kong must be vigilant and take early precautions against new national security threats that may arise in the future, especially nonconventional national security threats.

Hong Kong needs to assess the national security threats it faces from the perspective of the "comprehensive

national security" concept advocated by President Xi Jinping, which covers both conventional and nonconventional national security threats, among which the threats in the areas of economy, finance, technology, cybernetworks, artificial intelligence, and data are critical to Hong Kong. The reason for this is that the central government hopes that Hong Kong will enhance its status as an international financial, shipping, trade center and international aviation hub; strengthen its functions as a global offshore renminbi business hub, international asset management center and risk management center; and support Hong Kong in building an international innovation and technology center. Doing all these tasks well will not only be beneficial to Hong Kong's long-term development, allowing it to better serve the national development strategy, but also enable it to contribute to the country during the fierce Sino-US confrontation. On the contrary, from the US' perspective, obstructing or even undermining the HKSAR's achievements in those areas will help curb China's rise. The US is particularly wary of the adverse impact of RMB internationalization on its global hegemony and the US dollar's dominance. As the world's largest offshore RMB business hub, Hong Kong plays a key role in promoting RMB internationalization. Therefore, there is no guarantee that the US will not take action against Hong Kong.

From the perspective of safeguarding national security, it is crucial to safeguard the security of various centers and hubs in Hong Kong and to keep the confidence of the international community in the city. It is imperative to maintain financial security, network security, communication security, information security, infrastructure security, and data security. In promoting these tasks, legislative work is indispensable. All sectors of Hong Kong society must be highly vigilant, and Hong Kong and the central government need to maintain close contact and work together. In the game being played out by China and the US, Beijing must also warn Washington that any action undermining Hong Kong's prosperity, stability, and development will inevitably encounter strong opposition and countermeasures.

As the internal and external environment continues to evolve, Hong Kong's work in safeguarding national security is a never-ending process.

The views do not necessarily reflect those of China Daily.

Western mindset on HK deviates from reality

On July 1, 1997, the United Kingdom handed Hong Kong back to the People's Republic of China, ending London's rule over the Chinese territory, which started with the Treaty of Nanjing in 1842.

For China, the return of the territory to its own sovereign rule signified the correction of a historical injustice. Britain had utilized military force, in the name of commercial imperialism, to force China to succumb to its terms and conditions and established the territory as an outpost of its own influence in Asia, which commenced what China understands as the "century of humiliation".

The 1997 handover of Hong Kong was subsequently seen as the end of that painful legacy, manifest through the "unequal treaties", the righting of a wrong, and the return of what was rightful Chinese territory to China. Britain, on the other hand, held a completely different view. For them, it marked the formal end of an empire and the demise of something they held to be great.

There was little sense of contemplation or self-reflection concerning the agony and trauma these historical events had imposed on China; only the self-pervading belief that the UK was "a force for good" throughout all history and that Hong Kong was a triumph of capitalism, success, and liberty. Indeed, it would be foolish to deny the immense achievements of Hong Kong, becoming one of the largest financial and free trade hubs in the world, but that does not change the fact it was a Chinese city, one which ultimately existed for the benefit of Britain's elite.

As a result, when the handover took place 28 years ago, this wasn't a point



Tom Fowdy

The author is a British political and international-relations analyst.

of reckoning for the British consciousness, but rather a belief crystallized that China "owed" something to Britain, as if the return were not a "correction" and a "rightful return" but a gift, a privilege, dismissive of the context that the event itself was triggered by the realism among its leaders that its loss was inevitable. Thus, Britain immediately assumed a "guardianship" mentality over Hong Kong, a kind of post-colonial mindset whereby the former colonizer assumes itself the righteous overseer and "savior" of the city, and which must protect it from the country of which it is lawfully part.

Because of this the handover was not conducted on equal terms and conditions; this was not a simple transfer of governance from one party to the next, but essentially another unequal agreement whereby China was implicitly expected to have no true "say" or "influence" over the city, which by strategic design was idealized to remain an outpost of Western influence. Hong Kong, as it had been before, was intended to shape China according to Western preferences and interests, and not the other way round.

In other words, the way the Sino-British Joint Declaration is interpreted on the Western side is that Hong Kong is China's in "name" only, a distinction and mindset which far exceeds the designated high-degree autonomous

systems the region has. Thus, they have sought to deny the city a right to national security protection and a right to follow China's preferences on foreign policy (despite the Basic Law mandating such), among other things. The West's mindset on post-handover Hong Kong does not think in terms of China's lawful sovereign rights over the city, but the idea that the Hong Kong Special Administrative Region is separated from China and despite the handover, the city does not truly belong to China. Hence, the British and other Western parties were supportive of the 2019-20 unrest in Hong Kong, and subsequently tried to weaponize the British National Overseas program in response to the implementation of national security laws in the city. Even as Britain is banning an activist group as a terrorist organization outright over Palestine issues, it continues to deny Hong Kong the right to its own national security provisions and frames similar moves in the city as "oppression".

However, for China, this discussion over sovereignty ended the day the handover was completed. While Beijing accepts Hong Kong's high degree of autonomy and unique qualities as beneficial, it has never accepted this external mindset that the city is anything less than its own, or that somehow seeking to uphold its own interests in this city is illegitimate. Hong Kong continues to thrive, despite these challenges, but Britain must learn to accept history as it is, objectively, rather than chasing after past glories of its empire. The city that the UK cultivated is respected, but it is not definitive to the identity and fate of Hong Kong as something Chinese.

The views do not necessarily reflect those of China Daily.