

**Legislative Council of the
Hong Kong Special Administrative Region**

**Report on
Duty Visit to Shanghai**

12 & 13 April 2014

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Chapter 1: Introduction

The Report

- 1.1 This report presents the major findings and observations of the Delegation of the Legislative Council ("LegCo") of Hong Kong Special Administrative Region ("HKSAR") from its duty visit to Shanghai on 12 and 13 April 2014.

Background

- 1.2 On 19 March 2014, the President of LegCo received a letter from the Chief Executive ("CE") of HKSAR advising that in the light of the wish expressed by LegCo Members to visit the Mainland, the Central Authorities had agreed that arrangements be made for all LegCo Members to visit Shanghai on 12 and 13 April 2014. CE also advised that he would join Members in Shanghai after attending the Boao Forum for Asia Annual Conference 2014. Furthermore, Mr WANG Guangya, Director of the Hong Kong and Macao Affairs Office of the State Council, and Mr LI Fei, Deputy Secretary-General of the Standing Committee of the National People's Congress ("NPCSC") cum Chairman of HKSAR Basic Law Committee under NPCSC, would also meet with Members in Shanghai. The CE's Office and the Liaison Office of the Central People's Government in HKSAR ("the Liaison Office") had set up a working group to undertake the necessary preparatory work. Members were invited to give their comments on the programme and arrangements of the visit.
- 1.3 The House Committee of LegCo discussed the programme and arrangements of the proposed visit at the meeting on 21 March 2014. Members generally looked forward to exchanging views with Mr WANG Guangya and Mr LI Fei on Hong Kong's political development. Some Members also indicated their wish that the delegation be briefed by relevant experts on the nation's latest developments and that visits be arranged to enhance their

understanding of Shanghai's latest facilities and developments. Subsequent to that House Committee meeting, the President of LegCo wrote to CE to relay Members' views on the proposed visit. The letter was also copied to the Director of the Liaison Office. At the meeting held on 28 March 2014, the House Committee endorsed the proposal for a LegCo delegation to be led by the President to conduct a duty visit to Shanghai.

Composition of the Delegation

1.4 This visit to Shanghai was the first time in the current term of LegCo where arrangements were made for all Members to conduct a duty visit to the Mainland. The Delegation comprised the following 57 members:

Hon Jasper TSANG Yok-sing, GBS, JP	(President of LegCo and Leader of the Delegation)
Hon Andrew LEUNG Kwan-yuen, GBS, JP	(Chairman of the House Committee and Deputy Leader of the Delegation)
Hon Ronny TONG Ka-wah, SC	(Deputy Chairman of the House Committee)
Hon CHAN Kam-lam, SBS, JP	
Dr Hon LAU Wong-fat, GBM, GBS, JP	
Hon TAM Yiu-chung, GBS, JP	
Hon Abraham SHEK Lai-him, GBS, JP	
Hon Tommy CHEUNG Yu-yan, SBS, JP	
Hon Frederick FUNG Kin-kee, SBS, JP	
Hon Vincent FANG Kang, SBS, JP	
Hon WONG Kwok-hing, BBS, MH	
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN	
Hon Jeffrey LAM Kin-fung, GBS, JP	
Hon WONG Ting-kwong, SBS, JP	
Hon Cyd HO Sau-lan, JP ¹	
Hon Starry LEE Wai-king, JP	
Dr Hon LAM Tai-fai, SBS, JP	
Hon CHAN Hak-kan, JP	

¹ Hon Cyd HO Sau-lan and Hon CHEUNG Kwok-che arrived in Shanghai on 11 April 2014. They left Shanghai for Hong Kong on 12 April and did not continue participating in the visit programme.

Hon CHAN Kin-por, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che¹
Hon WONG Kwok-kin, SBS
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Shuk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC²
Hon LEUNG Kwok-hung³
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon NG Leung-sing, SBS, JP
Hon Steven HO Chun-yin
Hon Frankie YICK Chi-ming
Hon YIU Si-wing
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Han-pan, JP
Hon CHAN Yuen-han, SBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Dennis KWOK
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon SIN Chung-kai, SBS, JP
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu⁴
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon CHUNG Kwok-pan
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen, BBS

² Hon Alan LEONG Kah-kit aborted his trip to Shanghai on 12 April 2014.

³ Hon LEUNG Kwok-hung returned to Hong Kong upon his arrival in Shanghai on 11 April 2014.

⁴ Hon TANG Ka-piu withdrew from the Delegation on 10 April 2014.

- 1.5 Twelve staff members, including the Secretary General of the LegCo Secretariat Mr Kenneth CHEN, Legal Adviser Mr Jimmy MA, Assistant Secretary General Miss Flora TAI, Assistant Legal Adviser Mr Kelvin LEE, Chief Public Information Officer Ms Emily PANG and seven other staff members from the Council Business Division and the Public Information Division, accompanied the Delegation on the visit.

Objectives of the visit

- 1.6 The objectives of the visit were for Members to:
- (i) observe and understand Shanghai's latest facilities and developments;
 - (ii) receive briefings from experts on the nation's latest developments; and
 - (iii) meet with officials of the Central Authorities to discuss issues of mutual concern, including Hong Kong's political development.

Visit programme

- 1.7 The Delegation set off for Shanghai on the evening of 11 April 2014 and returned to Hong Kong on the evening of 13 April 2014. Details of the two-day programme on 12 and 13 April 2014 are as follows:

Time	Programme
12 April 2014 (Saturday)	
Morning	Visit to the Shanghai Hongqiao Central Business District and Integrated Transportation Hub
	Visit to the aircraft manufacturing site of the Commercial Aircraft Corporation of China
Noon	Meeting with and luncheon hosted by senior officials of Shanghai Municipality
Afternoon	Seminar - "International developments and foreign policies" <ul style="list-style-type: none"> • Keynote speaker: Professor QU Xing, President of the China Institute of International Studies
Evening	Visit to the Shanghai Urban Planning Exhibition Centre
13 April 2014 (Sunday)	
Morning	Seminars <ul style="list-style-type: none"> (i) "Comprehensively deepening and enhancing the nation's reform" <ul style="list-style-type: none"> • Keynote speaker: Professor ZHANG Yansheng, Secretary-General of the Academic Committee of the National Development and Reform Commission (ii) "China (Shanghai) Pilot Free Trade Zone" <ul style="list-style-type: none"> • Keynote speaker: Mr DAI Haibo, Deputy Secretary-General of the Shanghai Municipal Government
Noon	Lunch gathering with Hong Kong people residing in Shanghai <ul style="list-style-type: none"> • Organizer: Hong Kong Chamber of Commerce in China – Shanghai
Afternoon	Meeting with Mr WANG Guangya, Director of the Hong Kong and Macao Affairs Office of the State Council, Mr LI Fei, Deputy Secretary-General of NPCSC cum Chairman of HKSAR Basic Law Committee under NPCSC, and Mr ZHANG Xiaoming, Director of the Liaison Office

Chapter 2: Visits and Exchanges

- 2.1 To obtain first-hand information on the latest development of Shanghai, the Delegation visited a number of state-of-the-art facilities and development initiatives of Shanghai during the two-day visit and received detailed briefings by representatives from relevant organizations. In addition, the Delegation also met with senior officials of Shanghai Municipality and dined with Hong Kong people residing in Shanghai to exchange views on matters pertaining to the development of and co-operation between Shanghai and Hong Kong.

Visit to the Shanghai Hongqiao Central Business District and Integrated Transportation Hub

Hongqiao Central Business District

- 2.2 The Delegation first paid a visit to the Hongqiao Central Business District ("Hongqiao CBD") in western Shanghai on the morning of 12 April 2014. They received a briefing on Hong Kong-Shanghai co-operation initiatives by Mr Michael YUEN, Deputy President of Shanghai Hong Kong Airport Management Company Limited, and visited the Exhibition Hall of Hongqiao CBD.



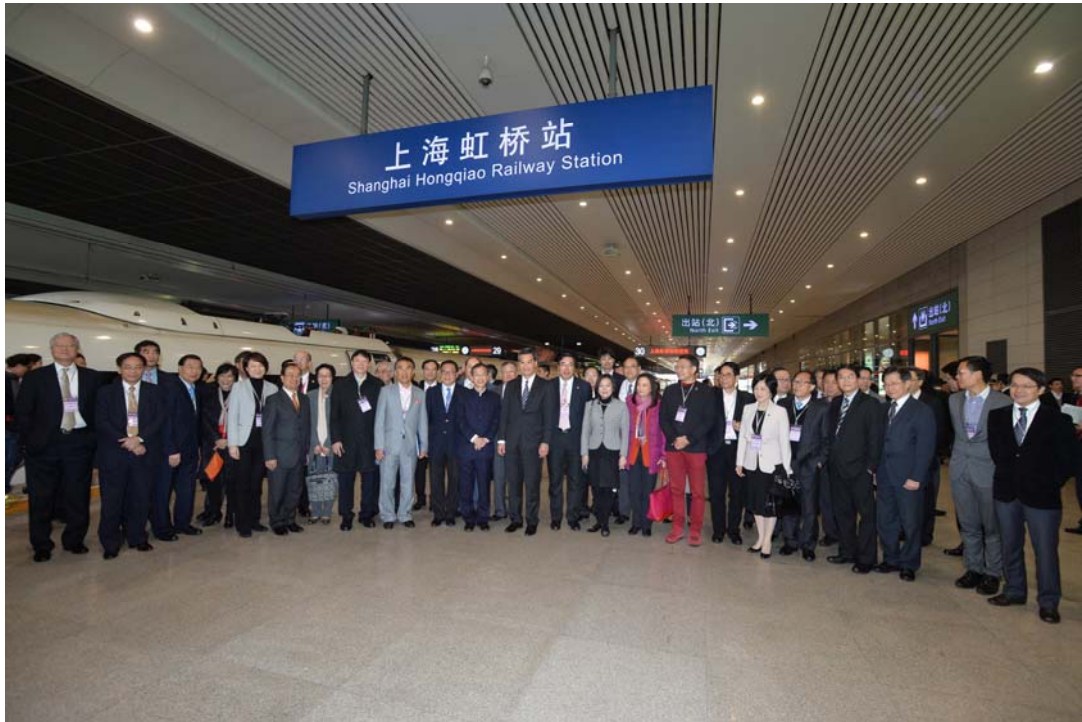
CE accompanies members of the Delegation to visit the Shanghai Hongqiao CBD.

- 2.3 The Delegation noted that the Shanghai Municipal Government decided in 2009 that Hongqiao CBD be developed into the third economic growth zone in Shanghai after the central city district and the Pudong district, and also a business cluster serving the Yangtze River Delta Region as well as the whole country. Given its proximity to Jiangsu and Zhejiang Provinces, Hongqiao CBD serves as an integrated transportation hub, and the "1.5-hour economic circle" that radiates from it covers all major cities within the Yangtze River Delta Region.
- 2.4 Hongqiao CBD occupies a planning area of around 86 km², of which 27 km² is designated as the Main Function Area and 59 km² as the Development Area. The 4.7 km² core centre area within the Main Function Area is the focus of development at the initial stage. Aside from providing mainly office accommodation, the core centre area also seeks to provide various complementary facilities such as retail and commerce, culture and entertainment, sports and recreation, high-end conferencing, premium product display, catering, hotel accommodation and so on.

- 2.5 According to the 12th Five-Year Plan released in 2012 in connection with Hongqiao CBD, the development of the core area of Hongqiao CBD will be completed by 2015. The core area will provide a construction floor area of around 5 000 000 m² at the ground level, and around 2 600 000 m² below ground. Pursuant to the plan, by 2020, Hongqiao CBD will become Shanghai's modern service industry cluster, a base that houses the headquarters of Mainland and overseas enterprises and trade organizations, and a high-end business hub serving the Yangtze River Delta, the Yangtze River Region as well as the whole country.

Hongqiao Integrated Transportation Hub

- 2.6 Having visited the Exhibition Hall, the Delegation then proceeded to the Integrated Transportation Hub in Hongqiao CBD ("Hongqiao ITH") to understand its mode of operation. The Delegation noted that Hongqiao ITH, which started operation in 2010, comprised various modes of transport including civil aviation, the high speed railway ("HSR"), inter-city railway, long-distance coaches, underground railway, public road transport, taxis, and so on. The main construction of Hongqiao ITH houses the Hongqiao International Airport Terminal 2, metro stations, long-distance coach stations, underground railway stations, and so on. It has a total gross floor area of 1 500 000 m².
- 2.7 In respect of the passenger throughput of Hongqiao ITH, the Delegation noted that in 2013, the total passenger throughput was 249.77 million while the average daily passenger throughput was 684 300, representing a 14% increase as compared to 2012. The outbound transportation (air transport, railway and long distance coaches) and inbound transportation (underground railway, public transport, taxi, and so on) respectively accounted for 43.5% and 56.5% of the average daily passenger throughput of Hongqiao ITH.
- 2.8 The Delegation was given a tour of the airport-railway interchange at Hongqiao ITH. The Delegation was also invited to access the platform of the Shanghai Hongqiao Railway Station where members of the Delegation boarded an HSR train to observe the facilities inside the train compartments.



Members of the Delegation and CE pose for a group photo on the station platform of the HSR Shanghai Hongqiao Railway Station.



Some members of the Delegation pose inside a Shanghai HSR train compartment.

Visit to the aircraft manufacturing site of the Commercial Aircraft Corporation of China

2.9 Following the visit to Hongqiao CBD and ITH, the Delegation proceeded to the aircraft manufacturing site of the Commercial Aircraft Corporation of China ("COMAC"), where they were briefed on the assembly of the first fabricated commercial aircraft in China and given a tour of the simulation cabin. The Delegation then watched a documentary video on aircraft manufacturing in the lecture hall.



Members of the Delegation listen to the briefing given by COMAC representatives.



Hon Jasper TSANG Yok-sing, President of LegCo and Leader of the Delegation, observes the equipment inside the simulation cabin at the aircraft manufacturing site of COMAC.

- 2.10 The Delegation noted that COMAC, founded in Shanghai in 2008, was a state owned limited liability company specializing in large aircraft development projects on the Mainland. In particular, it coordinates the development of trunk liners (which generally refers to long-haul aircrafts with a capacity of carrying over 100 passengers) and regional jets (which generally refers to short-haul jets with a capacity of carrying not more than 100 passengers). COMAC is currently working on two major aircraft projects including the development of C919 trunk liner.
- 2.11 C919 is the first fabricated trunk liner on the Mainland. Its design lays emphasis on drag reduction to lower fuel consumption. In terms of construction materials, composite materials are used on a massive scale to alleviate noise in the cabin. The C919 aircraft programme was launched in 2008, and the first aircraft is expected to enter the stage of final assembly in 2014. The development target of C919 is to deliver safe, comfortable, energy-efficient, green and competitive jets for single-aisle commercial transportation in the civil aviation market in eight or ten years' time.



Members of the Delegation pose in front of the simulation cabin at the aircraft manufacturing site of COMAC.

Visit to the Shanghai Urban Planning Exhibition Centre

- 2.12 To enhance its understanding of Shanghai's town planning, the Delegation visited the Shanghai Urban Planning Exhibition Centre on the evening of 12 April 2014. The Delegation noted that the Exhibition Centre was completed and opened to the public in 2000. Themed on "City, Citizens, Environment and Development", the Centre offers a multimedia presentation of Shanghai's achievements in urban planning and construction.
- 2.13 The Delegation first visited the Overall Planning Hall of the Exhibition Centre. The Hall aims to highlight the present and future of Shanghai's urban development. Stemming from the key model of the downtown area of Shanghai, the exhibition employs integrated acoustic, optic and electronic techniques to reflect the planning of the Inner Ring Road up to year 2020 and the existing urban landscape of Shanghai. The model, made on a scale of 500:1, occupies an area of more than 600 m². After observing the model, the Delegation proceeded to receive a briefing on the treatment of solid waste in Shanghai and watch a photograph exhibition on Shanghai's historical development.



Members of the Delegation observe a large scale model of the downtown area of central Shanghai at the Shanghai Urban Planning Exhibition Centre.



Members of the Delegation take a photo with CE in front of the model entitled "Morning of Shanghai" at the Shanghai Urban Planning Exhibition Centre.

Meeting with senior officials of Shanghai Municipality

2.14 In addition to visiting the latest facilities in Shanghai, the Delegation also took the opportunity to meet with senior officials of Shanghai Municipality to exchange views on issues relating to enhancement of co-operation between Shanghai and Hong Kong. At noon on 12 April 2014, the Delegation met with Mr HAN Zheng, Secretary of the Communist Party of China ("CPC") Shanghai Municipal Committee, Mr YANG Xiong, Deputy Secretary of the CPC Shanghai Municipal Committee cum Mayor of Shanghai, as well as a number of representatives from the Shanghai Municipal Government. The Delegation also attended a luncheon hosted by senior officials of Shanghai Municipality after the meeting. CE attended both the meeting and the luncheon.



Hon Jasper TSANG Yok-sing (right), President of LegCo and Leader of the Delegation, poses with Mr HAN Zheng (centre), Secretary of the CPC Shanghai Municipal Committee, and the Chief Executive Mr LEUNG Chun-ying (left) before the Delegation meets with senior officials of Shanghai Municipality.

2.15 On behalf of the Shanghai Municipal Government and its citizens, Mr HAN Zheng, Secretary of the CPC Shanghai Municipal Committee, welcomed the Delegation to Shanghai. Mr HAN Zheng remarked that the close and frequent co-operation and

exchanges between Shanghai and Hong Kong over the years had brought about positive achievements on various fronts such as economics and trade, technology, culture, education, exchanges among civil servants and development of social organizations. He opined that Shanghai should learn from Hong Kong in terms of resources, market maturity and its ability to bring together talents, and should also draw on the experience of Hong Kong in developing Shanghai's financial market and free trade zone. In his view, the development of Shanghai and Hong Kong could yield mutual benefits. He hoped that the two places would explore further room for co-operation in the areas of transportation and finance and enhance exchanges on, in particular, economic development.

- 2.16 Mr HAN further told the Delegation that during the period when meetings of the National People's Congress as well as the National Committee of the Chinese People's Political Consultative Conference were held in Beijing in March 2014, he and CE had discussed the issue of taking forward the mechanism for the third round of Shanghai-Hong Kong co-operation. With both sides actively undertaking the necessary preparatory work, the relevant initiatives were expected to be formally launched in the third quarter of 2014, thus enabling the further promotion of exchanges and co-operation between the two places, including co-operation in areas of greater concern to Hong Kong people such as financial services and free trade zones. He wished Hong Kong a more prosperous future, while also expressing the hope for closer dealings between Shanghai and Hong Kong and win-win results in all aspects of co-operation involving both sides.
- 2.17 In response to Mr HAN's remarks, CE said that a sound foundation had been laid down for Shanghai-Hong Kong co-operation, and such co-operation had already yielded positive and extensive results. Referring to the announcement made by Mr LI Keqiang, the Premier of the State Council, on 10 April 2014 concerning the establishment of the Shanghai-Hong Kong Stock Connect, he said that the proposal would be conducive to promoting the two-way opening up, healthy development and mutual benefits of the capital markets in the two places, and that he would seek to complete the preparatory work for the launching of the proposal within six months. He hoped to seize the opportunity presented by the mechanism for the third round of Shanghai-Hong Kong

co-operation to further step up exchanges and co-operation on all fronts, with a view to promoting economic development and prosperity in both places.

- 2.18 At the meeting, Hon Jasper TSANG Yok-sing, President of LegCo and Leader of the Delegation, thanked the CPC Shanghai Municipal Committee and the Shanghai Municipal Government for their thoughtful arrangements for the Delegation's visit and their warm hospitality towards the Delegation. He hoped that in the time ahead, Hong Kong and Shanghai could further step up exchanges and join hands to promote mutual development, so as to achieve win-win results.



The Delegation meets with Mr HAN Zheng, Secretary of the CPC Shanghai Municipal Committee, and other senior officials of Shanghai Municipality.



The Delegation attends a luncheon arranged by senior officials of Shanghai Municipality for the Delegation after the meeting.

Lunch gathering with Hong Kong people residing in Shanghai

- 2.19 With a view to understanding the local life of Hong Kong people residing and/or working in Shanghai, the Delegation attended a luncheon hosted by the Hong Kong Chamber of Commerce in China - Shanghai on 13 April 2014, during which the Delegation exchanged views with the representatives of the Hong Kong business community and organizations in Shanghai on the development of and co-operation between Shanghai and Hong Kong.



Hon Jasper TSANG Yok-sing (right), President of LegCo and Leader of the Delegation, Mr Raymond CHANG (centre), President of the Hong Kong Chamber of Commerce in China - Shanghai, and the Chief Executive Mr LEUNG Chun-ying (left) propose a toast to members of the Delegation and the representatives of the Hong Kong business community and organizations in Shanghai, at the luncheon hosted by the Hong Kong Chamber of Commerce in China - Shanghai.

Chapter 3: Thematic Seminars

3.1 During the visit, the Delegation attended three thematic seminars on "International developments and foreign policies", "Comprehensively deepening and enhancing the nation's reform" and "China (Shanghai) Pilot Free Trade Zone" so as to enhance the Delegation's understanding of the latest developments of the nation and Shanghai. The main thrust of the seminars, together with the concerns raised by members of the Delegation, are summarized in paragraphs 3.2 to 3.40.

Thematic seminar on "International developments and foreign policies"

3.2 On the afternoon of 12 April 2014, the Delegation attended the thematic seminar on "International developments and foreign policies" conducted by Professor QU Xing, President of the China Institute of International Studies. The seminar covered seven major topics: the basic features of contemporary international landscape, China's foreign policy, China-United States ("US") relations, the situation of the Korean Peninsula, the Diaoyu Islands, the East China Sea continental shelf and the South China Sea.

The basic features of contemporary international landscape

3.3 Professor QU Xing considered that the contemporary international situation had generally been stable amid regional turmoil. While relationships among major countries remained stable, the political problems of developing countries such as Syria, Egypt, Libya and Ukraine as well as the national security and counter-terrorism issues in Iraq and Afghanistan would have implications for ongoing developments in the international arena.

3.4 According to Professor QU Xing, the global economy was in a post-crisis (recovery) phase; while the global economy had begun to pick up, its full recovery still lacked sufficient impetus. The three major economies in the West were confronted with worsening

structural problems. The sovereign debt-to-GDP ratio rose in both the Euro area (to over 90%) and the US (to over 110%) and the quantitative easing policy was in a dilemma. Japan had allowed its debt to grow to 240% of GDP. Western countries had stepped up their exclusive trade and investment arrangements through agreements such as the Trans-Pacific Strategic Economic Partnership ("TPP") and Transatlantic Trade and Investment Partnership with an intention of bypassing the established mechanism of the World Trade Organization.

China's foreign policy

3.5 Professor QU Xing said that China would continue to actively promote a multipolar world and advocate economic globalization, cultural diversity and an information society. In international relations, China would carry forward and cultivate the three major national spirits of "equality and mutual trust", "inclusiveness and mutual learning", as well as "mutually beneficial cooperation". In foreign policy, China would continue to hold high the four banners of peace, development, cooperation and mutual benefit. China's foreign policy was to achieve peaceful development and win-win outcomes with the priority task of creating an international condition that was favourable to national development.

China-US relations

3.6 Professor QU Xing highlighted the deep-rooted contradictions in China-US relations. He said that the US President Barack Obama, in his second term, had adjusted his foreign policy by implementing the Asia-Pacific "rebalancing" tactics. This included enhancement of alliance relations, fortification of partnerships with emerging countries and development of constructive China-US relations. Professor QU Xing pointed out that China had put forward the idea of building a new type of major-country relations with the US, hoping to proactively operate a new model of major-power relations through which win-win outcomes could be achieved.

China's relations with its neighbours

3.7 Professor QU Xing elaborated that it had been China's stance to maintain peace and stability on the Korean Peninsula. As for the territorial disputes over the Diaoyu Islands, the East China Sea

continental shelf and the South China Sea, he said that China's policy was to uphold the principle of "maintaining sovereignty ownership, laying disputes aside, seeking common development, leaving the disputes to future generations and employing the second-strike strategy". Regarding the disputes over Huangyan Island between China and the Philippines as well as Vietnam's intention to incorporate some islands into its sovereignty through domestic legislation, Professor QU remarked that China's counter-measure was to employ a strategy of "peaceful external relations, economic development and military preparation".

Concerns raised by members of the Delegation

Contemporary international landscape

- 3.8 In response to the concerns raised by some Delegation members concerning the changing situation in Ukraine, Professor QU Xing replied that the ongoing developments in Ukraine hinged on whether the Ukrainian Government could effectively handle the prevailing problems in the autonomous region. Otherwise, Russia would also be adversely affected given the strategic importance of Ukraine to Russia in multiple ways. Western countries might also exploit the situation in Ukraine to restrain Russia's development.

China's relations with its neighbours

- 3.9 In response to queries raised by some Delegation members regarding China's relations with its neighbouring countries, Professor QU Xing replied that it was not uncommon for major powers to engage into disputes with neighbouring countries, and the US and Russia had also come across similar situations. He further added that China had not severed its diplomatic relations with those countries which were on less friendly terms with China and had maintained trade relations with these countries. On the other hand, China still championed the non-alignment foreign policy.
- 3.10 Members of the Delegation expressed concern about China's relations with India, and pointed out that border disputes between the two countries occasionally broke out. Professor QU Xing explained that there were three major issues that strained China-India relations, namely, border disputes, Dalai Lama's fleeing to India to engage in political activities and the development

of China-Pakistan relations. Despite these problems, overall speaking, there was room to further develop the China-India relations. India was the first country visited by Premier LI Keqiang after his assumption of the office of the Premier of the State Council.

- 3.11 Some members of the Delegation asked whether the disputes over the Diaoyu Islands and the South China Sea could be resolved through international arbitration. Professor QU Xing pointed out that different countries might have different understanding of certain international conventions such as the United Nations Convention on the Law of the Sea. Moreover, it would be difficult, if not impossible, to ensure that the relevant court would not be unduly influenced by political factors in its judgments.

Cross-strait relations

- 3.12 Referring to the Taiwan authorities' advocacy of the idea of maintaining long-term peaceful development for 50 years, some members of the Delegation enquired about its impact on cross-strait relations. Professor QU Xing said that the strategy adopted by Taiwanese leader MA Ying-jeou was aimed at building a solid foundation for closer cross-strait relations, while the relevant problems would be resolved by future generations. Referring to the European Union established by member states in Europe to strengthen economic ties, he believed that services trade liberalization could bring excellent development opportunities to Taiwan.

Xinjiang independence movement

- 3.13 Some Delegation members also expressed concern about the independence movement in Xinjiang, particularly the recent attack incident that happened in Kunming. They asked how the issue should be analyzed from domestic and diplomatic perspectives. Professor QU Xing responded that the Xinjiang Independence Movement had led to ethnic conflicts between Han Chinese and Uyghurs. Not only should the Chinese Government adopt appropriate measures to prevent violent incidents from spreading, it should also enhance the development in Xinjiang region and strengthen the public education in this regard.

Thematic seminar on "Comprehensively deepening and enhancing the nation's reform"

3.14 On the morning of 13 April 2014, the Delegation attended a thematic seminar on "Comprehensively deepening and enhancing the nation's reform" conducted by Professor ZHANG Yansheng, Secretary-General of the Academic Committee of the National Development and Reform Commission. The Delegation noted that the International Monetary Fund had put 2016 as "Year Zero" for China as the world's dominant economic power – the year when China's growth trajectory might overtake the US in terms of purchasing power parity. Professor ZHANG Yansheng considered that the realization of this projection hinged on whether measures that aimed to comprehensively deepen and enhance the nation's reform could be implemented in order to meet the high quality global standards (including opening and upgrading) and overcome the challenges posed by free trade in international markets.

Core issue - properly handling the relationship between the Government and the market

3.15 Professor ZHANG Yansheng said that economic system reform was the key of the measures that aimed to comprehensively deepen and enhance reforms, and the core issue was to strike a balance between the Government and the market in order to ensure that "market force" acted as the decisive factor in resource allocation while the Government could exercise effectively its regulatory function. He considered that market-oriented reform should be conducted in a proactive and steady manner both in terms of breadth and depth. The Government's direct deployment of resources should also be minimized. On the other hand, the Government should promote allocation of resources in accordance with market rules, market prices and market competition so as to maximize effectiveness and optimize efficiency.

3.16 Professor ZHANG Yansheng also pointed out that the two directions raised by Premier LI Keqiang, namely "in relation to the market-oriented principle: all is permissible unless prohibited" and "in relation to government departments: all is prohibited unless permissible", were the directions of reform on the Mainland for the next 35 years. China's *modus operandi* would change from

investment-driven to innovation-driven, from "the rule of man" to "the rule of law", and from a non-normalized market to a normalized one.

The impact of Mainland's reform on Hong Kong

- 3.17 According to Professor ZHANG Yansheng, following the announcement made by Premier LI Keqiang at the Boao Forum for Asia Annual Conference 2014 regarding the establishment of a Shanghai-Hong Kong stock exchanges connectivity mechanism, the next steps for the Mainland were to build up the rule of law, provide a level playing field, and establish a regulatory regime and an orderly market. The relationship between Hong Kong and the Mainland had reached a new stage in terms of the founding of modern market economy and the rule of law. Professor ZHANG Yansheng explained that the previous 35 years on the Mainland had seen a small-scale economy driven by export and foreign capital. Hong Kong and Shenzhen had played important roles in the overall development of the Mainland. This strategy was now facing a fundamental change. In the next 35 years, a new phase of opening-up was envisaged under measures that sought to comprehensively deepen the nation's reform, while the Shanghai Free Trade Zone ("FTZ") would become the bellwether that explored new paths and accumulated new experiences in comprehensively deepening the nation's reform and widening the opening-up policy, and provide the basis for developing free trade zones in other potential areas.
- 3.18 Professor ZHANG Yansheng further pointed out that the establishment of a Shanghai-Hong Kong stock exchanges connectivity mechanism that promoted two-way opening up was conducive to the building up of a bigger, stronger and better Hong Kong stock market and the normalization of the Shanghai stock market. Hong Kong and Shanghai were still partners. As for the development of Qian Hai, he opined that its future finance industry should serve the goal of transforming the real economy and laying the foundation for Shenzhen's innovation industry. In order to facilitate the economic restructuring of the Pearl River Delta, Hong Kong and Macao, he hoped that land could be reserved in Qian Hai for emerging industries to develop their business there. Under the new round of opening up, Qian Hai and Hong Kong still played complementary roles.

3.19 Regarding the new policy of "all is permissible unless prohibited and all is prohibited unless permissible", members of the Delegation were concerned about its implementation. They opined that economic system reform should go hand-in-hand with civil service and judicial system reforms to minimize corruption. They suggested that more resources should be allocated to implement these reforms. Professor ZHANG Yansheng said that the civil service and judicial systems should be established step by step. He said that reference could be made to the relevant systems and practices adopted by developed countries, such as the policy of "offering high pay to discourage corruption" implemented in Hong Kong and Singapore.

Pilot run of the Shanghai FTZ

3.20 Regarding the Shanghai FTZ, Professor ZHANG Yansheng informed the Delegation of the following developments:

- (a) establishing an administrative system compatible with the international high-standard investment and trade regimes, and promoting changes in administration from focusing on *ex ante* approval to focusing on interim and *ex post* regulation, i.e. protecting the rights and interests of investors, and ensuring fair competition among investors by creating a market environment favourable to equal access by various investors;
- (b) expanding the opening-up of the service industry by fully opening up the following six sectors: financial services, shipping services, commerce and trade services, professional services, cultural services and social services; establishing a "Negative List" administrative mode; and providing pre-access national treatment for foreign investment;
- (c) achieving trade and investment facilitation;
- (d) formulating policies on competition and industries that ensure fair competition among investors by creating a market environment favourable to equal access by various investors;
- (e) expanding Renminbi offshore financial market, liberalizing

interest rate, and opening up of capital account; and

- (f) co-operating in the trial implementation of new rules pertinent to the transfer and protection of intellectual property, labour standards, environmental standards, competitive neutrality, government procurement, promoting new rules on innovation, branding and marketing, etc.

3.21 In response to the enquiries raised by members of the Delegation about the "Negative List" and future improvement measures, Professor ZHANG Yansheng said that the first "Negative List" was drawn up by the Shanghai FTZ by incorporating all currently-prohibited items into the List. Given that these items had already been prohibited under the current regulatory regime, there was no dispute over its contents. Nevertheless, since the List was much too long, efforts should be made to examine the List to remove the unnecessary items, so that the policy of "all is permissible unless prohibited" could be achieved on the part of enterprises.

Seizing the huge opportunities arising from urbanization

3.22 Professor ZHANG Yansheng informed the Delegation that in 2013, the National Plan on New Urbanization was promulgated, emphasizing a more balanced development between man and nature, history and cities, industries and finance for effective urban planning. The idea of the plan on urbanization was to develop world-class city clusters in the Pearl River Delta, the Beijing-Tianjin-Hebei region and the Yangtze River Delta. If the three megacities, namely, Hong Kong, Guangzhou and Shenzhen, could develop a close, complementary and externally-oriented co-operative relationship, the combined strengths of these cities would give them competitive advantage over New York and London. For this reason, the next step in urbanization was to develop the three major city clusters, so as to attract the finest talents, enterprises, resources and markets in the world.

A new round of economic development on the Mainland

3.23 Professor ZHANG Yansheng pointed out that in the past 35 years, economic development on the Mainland was primarily driven by low costs, simple imitation and low scale of operation. At present, it was important for the Mainland to begin to shift towards a mode

driven by innovation, talent and services. Due to the emergence of the middle class, the new trend of "whoever does not innovate will perish" had occurred in the market.

- 3.24 Members of the Delegation sought elaboration on Professor ZHANG's views on "whoever does not innovate will perish" in relation to enterprises. These members considered it necessary for the Government to afford protection to innovators by legislative means to safeguard intellectual property rights and fair competition, as well as devoting more resources to this area, but public expenditure in this area was grossly inadequate. Professor ZHANG Yansheng shared the view and pointed out that in order to establish the rule of law, sufficient manpower resources had to be provided for law enforcement and the administration of justice, and efforts should be made continuously to strengthen the quality of staff and their operational capability.
- 3.25 Members of the Delegation were also concerned about the developments in respect of the reform of the country's political system in the next 35 years, including whether or not Hong Kong would be allowed to become a pilot zone in the development of democracy in the country. They also pointed out that press freedom, the rule of law and human rights were also vital to economic development. Professor ZHANG Yansheng said that in the past 35 years, the nation had to resolve issues relating to the transition from a planned economy to a market economy. He considered that fairness, regulation and transparency were all very important to the development in the next 35 years.

Mainland visitors coming to Hong Kong under the Individual Visit Scheme

- 3.26 Professor ZHANG Yansheng opined that the Individual Visit Scheme was actually a measure implemented in response to a crisis situation. He pointed out that consumer demand on the Mainland was shifting from low income, low spending and low quality to high income, high spending and high quality. As the quality of domestic consumer products failed to keep pace with the expectations of the general public on the Mainland, these consumers had to meet their demands elsewhere (including Hong Kong). He believed that such a phenomenon was only transitional.

- 3.27 Members of the Delegation expressed concern about the problems arising from the Individual Visit Scheme and suggested that the policy of "multiple-entry permits" and "multiple trips per day" should be adjusted appropriately to deal with such problems as parallel traders. Professor ZHANG Yansheng responded that while he appreciated such concern, he believed that through the collaboration of the Mainland and Hong Kong, the Individual Visit Scheme would definitely give rise to ample opportunities.

The next round of development of FTZs and other forms of economic co-operation

- 3.28 Pointing out that the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA") framework had already covered various aspects of a FTZ, members of the Delegation queried if it was still necessary to launch another FTZ in the Pearl River Delta in the next round of development. Professor ZHANG Yansheng said that CEPA was a free trade agreement between Hong Kong and the Mainland and it differed from the Shanghai FTZ in that the latter covered mainly three major areas, including zero tariff preferential treatment for trade in goods, services liberalization and trade and investment facilitation measures, but no cross-boundary issues were involved. He anticipated that, in addition to the Shanghai FTZ, priority consideration would be given to establishing a new FTZ in the Pearl River Delta Region which had the potential for such development. Some members of the Delegation enquired if Hong Kong would be included in the Pearl River Delta FTZ to be set up in future. Professor ZHANG Yansheng further explained that under the CEPA framework, in terms of economic and trade arrangements, Hong Kong and the Pearl River Delta Region operated as two independent customs territories, whereas the development of the Pearl River Delta FTZ involved a FTZ within the Mainland customs territory.
- 3.29 Members of the Delegation were also concerned about whether or not consideration would be given to Hong Kong and Macao when free trade agreements were negotiated with other countries. Professor ZHANG Yansheng pointed out that Mr WEN Jiabao, the former Premier of the State Council, had said that it was always necessary to benefit Hong Kong when free trade agreements were entered into with any country. Some members of the Delegation were concerned about the prospect of Hong Kong's participation in

TPP. Professor ZHANG Yansheng pointed out that Premier LI Keqiang had said at the Boao Forum that China adopted an open attitude towards TPP.

Thematic seminar on "China (Shanghai) Pilot Free Trade Zone"

- 3.30 On the morning of 13 April 2014, the Delegation also attended another thematic seminar on the policy arrangements for and the latest developments of the Shanghai FTZ given by Mr DAI Haibo, Deputy Secretary-General of the Shanghai Municipal Government.
- 3.31 Mr DAI Haibo told the Delegation that the focus of the Shanghai FTZ was on various reform measures. This included reforms of the investment management regime, trade regulatory regime and financial regulatory regime, as well as deepening the reform of the administrative and management regimes and promoting changes in administration from focusing on *ex ante* approval to focusing on interim and *ex post* regulation.

Opening-up of more service sectors to foreign investment and fostering a new open-economy system

- 3.32 Regarding the opening-up of more service sectors to foreign capital, the Delegation noted that in 2013, 18 industries in six sectors in the Shanghai FTZ had been chosen for further opening-up. A total of 23 relaxation measures in terms of qualification requirements of foreign investors and limitations on scope of business and foreign equity ratio had been introduced. Of them, 22 measures had been implemented so far.
- 3.33 Mr DAI Haibo said that the Shanghai Municipality was compiling the 2014 edition of the "Negative List" and exploring new opening-up measures in the domains of the service industry and the advanced manufacturing industry, with a view to further opening up the following six sectors: financial services, shipping services, commerce and trade services, professional services, cultural services and social services.

Enhancing legal protection to provide a legal basis for the pilot programme

3.34 On enhancing legal protection, the Delegation noted that the relevant measures covered three dimensions:

- (a) At the national level: the provision of legal protection - temporarily adjust some provisions on foreign-capital enterprises in three pieces of legislation, 15 administrative laws and regulations and three State Council documents;
- (b) At the level of Ministries and Commissions under the State Council: the official release of supportive documents - a total of 13 ministries and commissions, including the Ministry of Industry and Information Technology, the Ministry of Justice, the Ministry of Finance, the Ministry of Transport, the Ministry of Culture, the People's Bank of China, the General Administration of Customs, the State Administration of Taxation, the State Administration for Industry and Commerce, the General Administration of Quality Supervision, Inspection and Quarantine, the China Banking Regulatory Commission, the China Securities Regulatory Commission ("CSRC") and the China Insurance Regulatory Commission, had officially announced relevant policy measures; and
- (c) At the Shanghai municipal level: strengthening local legislation - The Measures for Administration of the Shanghai FTZ had been formulated while relevant regulations would be promulgated in 2014.

3.35 The Delegation noted that as at late March 2014, the Shanghai FTZ had attracted 271 Hong Kong-invested enterprises, accounting for 41% of the total number of new foreign-capital enterprises, and a cumulative total of 2 500 Hong Kong-invested enterprises had invested and commenced business operation in the pilot zone. In 2013, the value of import and export between the pilot zone and Hong Kong region stood at more than US\$6.3 billion, so Hong Kong had become the most important partner in the development of the pilot zone.

Concerns raised by members of the Delegation

3.36 Members of the Delegation welcomed the launching of the Shanghai-Hong Kong Stock Connect and opined that the

programme would provide major business opportunities to the financial industry in Hong Kong. However, with regard to the cap on the buying of shares placed on the Southbound trading, some members of the Delegation suggested that the cap could be relaxed gradually. In addition, members of the Delegation noted with concern that the relevant preparatory work would take about six months' time, and urged for early implementation of the programme so as to enable investors to enter the market at reasonable prices. Mr DAI Haibo said that the Shanghai-Hong Kong Stock Connect was subject to the regulation of CSRC. Under this programme, apart from the securities market, the futures and gold markets as well as various types of financial assets would also be open to foreign investments. According to past experience, investors from abroad as well as Hong Kong and Macao often encountered institutional problems when investing in Mainland's stock markets. As such, it was necessary to allow sufficient time for making preparations for the Shanghai-Hong Kong Stock Connect.

- 3.37 Noting that Hong Kong-invested companies accounted for 41% of all new foreign-capital enterprises recently established in the Shanghai FTZ, members of the Delegation asked which areas should attract more investment in the future. Mr DAI Haibo said that at present, among the enterprises in the Shanghai FTZ, those in the trade sector, at about 60%, accounted for the highest proportion, followed by enterprises in the service industry, at about 30%. Although at present, financial enterprises, standing only at about 3.5%, did not account for a high proportion, the increase had been rapid and there were now more than 1 000 financial enterprises.
- 3.38 Members of the Delegation enquired about the opening-up measures for Hong Kong's insurance industry in the Shanghai FTZ. Mr DAI Haibo said that relevant measures were drawn up to attract foreign-capital insurance groups specializing in the provision of healthcare and medical services, given the shortage of sizable enterprises in this area.
- 3.39 Members of the Delegation pointed out that at present, enterprises that intended to be listed on Mainland's stock markets had to be vetted and approved by the Department of Finance and were subject to the regulation of CSRC. They were concerned as to whether strengthening the legislative measure at the municipal level would pose constraints to the development of finance in the FTZ,

thus adversely affecting its future development. Mr DAI Haibo said that the legislative measure to be taken at the local level aimed to strengthen the existing regulatory regime of the Central Authorities so as to enhance their legal status. The regulatory bodies of the Central Authorities were also very concerned about the development of the Shanghai FTZ. Hence, apart from setting up regulatory bodies in Shanghai, co-ordinating mechanisms had also been put in place.

- 3.40 Some members of the Delegation expressed concern about the lack of transparency in the accounting information of Mainland enterprises and pointed out that because of the Law of the People's Republic of China on Guarding State Secrets, the working papers of international accounting firms could not be disclosed to regulatory bodies for perusal. Mr DAI Haibo said that at present, the annual reports of Mainland enterprises had to comply with certain requirements on the publication of information and he believed that the Mainland would be happy to explore how to dovetail with international practices on the relevant issues.

Chapter 4: Meeting

Introduction

4.1 One of the major purposes of the Delegation's visit is to exchange views with officials of the Central Authorities on issues of mutual concern, including Hong Kong's political development. In this regard, the Delegation met with Mr WANG Guangya, Director of the Hong Kong and Macao Affairs Office of the State Council, Mr LI Fei, Deputy Secretary-General of NPCSC cum Chairman of HKSAR Basic Law Committee under NPCSC, and Mr ZHANG Xiaoming, Director of the Liaison Office, on the afternoon of 13 April 2014. Major views and concerns expressed by members of the Delegation at the meeting are summarized below in paragraphs 4.2 to 4.20.

Hong Kong's political development

The method for selecting CE in 2017

Nomination method of CE candidates

4.2 Some members of the Delegation stressed that discussions on Hong Kong's constitutional reform should be made on the basis of the legal framework constituted by the Basic Law ("BL") and the relevant Interpretation and Decisions of NPCSC, such that democratic development in Hong Kong could be taken forward in order to meet public aspiration.

4.3 A number of members of the Delegation stated that many Hong Kong people aspired to elect CE in 2017 by "genuine" universal suffrage without screening. These members put forth the "three-track nomination proposal", i.e., apart from the Nominating Committee ("NC"), CE candidates could also be nominated by political parties and through direct civic nomination. They held that NC's right to nominate CE candidates would not be

compromised because the "three-track nomination proposal" did not contravene BL. Stressing the importance of civic participation in the entire nomination process, these members said that universal suffrage elections should conform to the principles of universality and equality, including the rights to make nomination, to stand for election and to vote. They considered that if the right to stand for election was subject to any unreasonable restriction, it was a form of screening, and this would not be conducive to ensuring good governance. They also took the view that should constitutional development in Hong Kong fail to take a step forward, a lot of people might be compelled to take part in the "Occupy Central" movement in order to fight for "genuine universal suffrage".

- 4.4 On the other hand, some members of the Delegation stressed that civic nomination would contravene BL given that BL should fall within the sphere of public powers. They sought clarification on the Central Government's position in this regard. Separately, some members hoped that officials of the Central Authorities could advise, on the basis of BL, on its position regarding the various constitutional reform proposals put forward by the democratic camp, as well as the "civic recommendation" proposal put forward by 18 academics (including whether the proposal conformed to the principle of being "broadly representative"). Some members of the Delegation hoped that the Central Authorities would consider other more moderate proposals and called on the Central Authorities to hold further discussions with the relevant parties regarding the viability of these proposals, and not to reject them at this stage. Referring to some public opinion surveys, some members of the Delegation said that 50% and 37% of the respondents supported civic nomination and nomination by political parties respectively, while only 27% of respondents supported nomination by NC. These members were concerned about how the support rate for nomination by NC could be boosted.
- 4.5 Mr LI Fei, Deputy Secretary-General of NPCSC cum Chairman of HKSAR Basic Law Committee under NPCSC, stated that regarding the nomination of CE candidates, BL had already laid down specific provisions from the constitutional perspective. Mr LI Fei explained that according to BL, CE candidates should be nominated by a broadly representative NC. This provision was not only appropriate to the actual situation in Hong Kong, but was also in line with the basic requirement of consistently implementing the

"one country, two systems" principle and was conducive to reducing risks in three aspects. Firstly, according to BL, CE candidates would be nominated by a broadly representative NC which was non-partisan. As such, it would ensure the nomination of CE candidates who were acceptable by all sides and hence, reducing the risk of political confrontation. Secondly, as NC comprised members from different sectors of society, the qualifications of individual CE candidates could be considered more thoroughly and hence, reducing the risk of having a constitutional crisis if the CE elected by universal suffrage was not appointed by the Central Government. Thirdly, given the balanced composition of NC, different classes and sectors in society would be represented in the nomination of CE candidates, which was conducive to balancing various demands and reducing the risk of populism arising from the implementation of universal suffrage.

- 4.6 Mr LI Fei further pointed out that under the nomination system stipulated in BL, all qualified persons could compete for nomination by NC, thereby safeguarding the equality of the right to stand for election; the nomination of CE candidates by NC in accordance with democratic procedures was fair to all persons running for election. Regarding the suggestions made by some people such as "civic nomination", "nomination by political parties", "nomination by Members of the Legislative Council", etc., Mr LI Fei said that any proposal which sought to replace or bypass the nomination procedures of NC would contravene BL because such a proposal was, by nature, legally changing and undermining NC's statutory status as the sole authority to exercise the power to nominate candidates as specifically stipulated in BL.

The procedures for nominating candidates for the office of CE and the composition of NC

- 4.7 Regarding the procedures for nominating candidates for the office of CE, some Delegation members suggested that the nomination procedure be divided into two stages, firstly, to come up with a number of persons contending for nomination through a one-eighth nomination threshold; and secondly, three to four formal candidates to be elected from the persons so recommended by the 1 600 NC members on a "one-person-one-vote" basis.

- 4.8 Some Delegation members were of the view that a CE candidate should obtain the support of more than half of NC members in order to conform to the principle and logic of democratic procedures. With reference to previous CE elections, it would be more appropriate to cap the number of CE candidates at three. However, some other Delegation members opined that the mechanism for nominating candidates for the office of CE should not deny the eligibility of individuals to stand for election, nor should it cap the number of candidates. Some Delegation members considered the nomination threshold of obtaining the support of more than half of NC members too high. They were concerned whether it was in contradiction with the principle of gradual and orderly progress stipulated in Article 45 of BL if a higher nomination threshold was set for the CE election in 2017 than the existing level.
- 4.9 Some members of the Delegation suggested that NC might consider adopting the bloc vote system in nominating CE candidates. Some other members of the Delegation, however, queried the applicability of the bloc vote system in the nomination of CE candidates. As to the voting system of the CE election, some Delegation members suggested that in order to enhance the legitimacy and credibility of the election, compulsory voting should be adopted so that all eligible voters would be required to vote in relevant elections.
- 4.10 Some Delegation members were concerned how the method for returning NC members could fulfil the requirement of ensuring the "democratic element" and "broad representativeness" of NC. They stressed the need for ensuring transparency of the relevant process for returning NC members.
- 4.11 Regarding the composition of NC, some Delegation members suggested that NC be formed on the basis of the current Election Committee ("EC") by increasing the number of members from 1 200 to 1 600 (i.e. adding 100 members to each of the four sectors). Besides, the electorate base should be expanded. For example, consideration might be given to converting the existing corporate votes of FCs to director's votes and adding new subsectors (e.g. women, small and medium enterprises and ethnic minorities). Some members of the Delegation also suggested that all the 100 newly added seats in the fourth sector be allocated to elected District Council members.

- 4.12 On the other hand, some Delegation members considered that it was not the number of NC members that mattered, the key was whether the composition of NC was broadly representative and reflected the principle of balanced participation. Some Delegation members suggested that the allocation of seats among the existing 38 EC subsectors should be adjusted according to the economic contribution they brought to Hong Kong's economy and that consideration could be given to adding new subsectors. Some Delegation members held that corporate votes and organization's votes should be avoided so as to ensure equal representation and compliance with the principles of universality and equality.
- 4.13 In response to the various views expressed by Delegation members on the selection of CE by universal suffrage, Mr WANG Guangya, Director of the Hong Kong and Macao Affairs Office of the State Council, highlighted "four ones", namely, "one objective", i.e. to meet as scheduled the objective of selecting CE by all qualified electors by "one person, one vote"; "one basis", i.e. BL provided the basis for selecting CE by universal suffrage; "one consensus", i.e. the system of selecting CE by universal suffrage should be conducive to selecting a CE who "loved the country and loved Hong Kong"; and "one responsibility", i.e. it was the shared responsibility of the Central Government, the HKSAR Government, all LegCo Members and the general public of Hong Kong to take forward, under BL provisions, the smooth completion of the "Five-step Process" in constitutional reforms and the implementation of the selection of CE by universal suffrage in 2017. Mr WANG Guangya also pointed out that while the electoral systems of western developed countries varied, a major point in common, as far as universal suffrage was concerned, was "one person, one vote". In his view, if there were international standards in universal suffrage, then "one person, one vote" could be regarded as international standards.
- 4.14 Mr WANG Guangya further pointed out that the CE electoral system must cater to the interests and aspirations of different strata, sectors and groups in society and achieve balanced participation. He also said that the NC nomination system was appropriate to the actual situation in Hong Kong, and was conducive to safeguarding the country's sovereignty, security and development interests under the "one country, two systems" principle, maintaining the good

relationship between HKSAR and the Central Government, and promoting the long-term prosperity and stability of Hong Kong. He stressed that any proposal which attempted to bypass NC or to nullify or undermine the substantive power of NC in nominating candidates would be inconsistent with BL.

- 4.15 As it was stipulated in BL that universal suffrage should be implemented in the light of the actual situation in Hong Kong, some Delegation members were concerned about the meaning of "actual situation in Hong Kong". They opined that after universal suffrage was implemented, relevant arrangements could still be further refined having regard to the actual situation in Hong Kong. On the other hand, some Delegation members pointed out that BL did not forbid a person who did not "love the country and love Hong Kong" to run for the CE election. They were concerned how the requirement of "loving the country and loving Hong Kong" could be incorporated into legal provisions.
- 4.16 Mr ZHANG Xiaoming, Director of the Liaison Office, advised that as universal suffrage in Hong Kong originated from BL, it was reasonable to examine the specific proposals for universal suffrage on the basis and within the framework of BL. He pointed out that he had never said that all those in the so-called pan-democratic camp did not meet the requirement of "loving the country and loving Hong Kong".

The method for forming LegCo in 2016

- 4.17 Regarding the method for forming LegCo, some Delegation members said that according to a survey conducted by the Professional Commons, 70% of correspondents were in favour of abolishing functional constituencies ("FCs") in 2016; and if this was infeasible, FCs should be abolished by 2020 the latest. These Delegation members pointed out that the correspondents of the survey were all professionals and despite their vested interests in FCs, they shared the view that Hong Kong would experience governance problems if universal suffrage was not implemented for the LegCo election.
- 4.18 In response, Mr WANG Guangya advised that according to the universal suffrage timetable for HKSAR confirmed by NPCSC in

2007, election of all LegCo Members by universal suffrage might be implemented only after CE was selected by universal suffrage. He pointed out that as the selection of CE by universal suffrage was accordingly a pre-condition for the election of all LegCo Members by universal suffrage, the implementation of universal suffrage by "one person, one vote" in selecting CE in 2017 opened the door for the election of all LegCo Members by universal suffrage, and was also a decisive step for the full implementation of dual universal suffrage in Hong Kong.

- 4.19 As to the view that Hong Kong experienced various governance problems due to the absence of universal suffrage, Mr WANG Guangya considered such remarks unfair. In his opinion, remarkable achievements had been made in the past 17 years since the reunification: the consistent implementation of "one country, two systems" and BL, the effective governance of the HKSAR Government, as well as the sound economic and social development. He further pointed out that although there were still many issues in Hong Kong that were yet to be resolved, such as those relating to the disparity between the rich and the poor, social mobility and housing, these issues were prevalent in modern societies and still existed in a number of western countries where universal suffrage had been implemented for years. As such, he disagreed that social and economic problems could simply be attributed to the political structure and election system.

Communication on various issues relating to the political development of Hong Kong

- 4.20 At the meeting, Mr ZHANG Xiaoming discussed with the Delegation the communication within the Hong Kong community as well as between the Hong Kong community and the Central Government on the political development of Hong Kong and other issues. In his view, communication should be sincere, rational, pragmatic and long-sighted, and all parties should strive for common grounds while respecting differences. He said that efforts would be made to continue communication with LegCo Members. He indicated that he would invite, within two months after his return to Hong Kong, those Members whom he had not yet met to a meeting with him, in order to understand their views.



(From left) Mr ZHANG Xiaoming, Director of the Liaison Office; Mr LI Fei, Deputy Secretary-General of NPCSC cum Chairman of HKSAR Basic Law Committee under NPCSC; Mr WANG Guangya, Director of the Hong Kong and Macao Affairs Office of the State Council; Mr LEUNG Chun-ying, the Chief Executive of HKSAR; and Hon Jasper TSANG Yok-sing, President of the LegCo and Leader of the Delegation.

Chapter 5: Observations

- 5.1 This visit to Shanghai was the first time in the current term of LegCo where arrangements were made for all Members to conduct a duty visit to the Mainland. Members of the Delegation generally considered that the visit provided Members with a good opportunity to observe the latest infrastructure in Shanghai, to understand the changes and developments of the nation and Shanghai, and to have direct exchanges with officials of the Central Authorities on important issues, including Hong Kong's political development.
- 5.2 During the two-day journey, the Delegation led by the President of LegCo visited the Shanghai Hongqiao Central Business District ("CBD") and Integrated Transportation Hub ("ITH"), the aircraft manufacturing site of the Commercial Aircraft Corporation of China and the Shanghai Urban Planning Exhibition Centre. The Delegation also met with senior officials of Shanghai Municipality, as well as attended a lunch gathering and exchanged views with the Hong Kong business community in Shanghai. Moreover, the Delegation attended three seminars on the subjects of "International developments and foreign policies", "Comprehensively deepening and enhancing the nation's reform" and "the China (Shanghai) Pilot Free Trade Zone", during which they had interactive discussions with experts on the developments of the nation and Shanghai. In addition, the Delegation met with Mr WANG Guangya, Director of the Hong Kong and Macao Affairs Office of the State Council, Mr LI Fei, Deputy Secretary-General of NPCSC cum Chairman of the HKSAR Basic Law Committee under NPCSC, and Mr ZHANG Xiaoming, Director of the the Liaison Office to discuss issues of mutual concern, including Hong Kong's political development.
- 5.3 The Delegation is of the view that the various visits to the major facilities of Shanghai, the meeting with senior officials of Shanghai Municipality and the three thematic seminars have enhanced Members' understanding of the latest developments of the nation and Shanghai, the relationship between the nation and Hong Kong, as well as the exchanges and co-operation between Shanghai and Hong Kong. Moreover, the meeting with Mr WANG Guangya, Mr LI Fei and Mr ZHANG Xiaoming is a step

forward in the communication between officials of the Central Authorities and LegCo Members on issues concerning Hong Kong's political development. On the whole, the Delegation considers this visit eventful, fruitful and meaningful. The observations of the Delegation on specific areas are elaborated below.

Land planning and infrastructure development

- 5.4 Through visiting Shanghai's key development projects, the Delegation had witnessed the changes in Shanghai and was impressed by the rapid progress achieved by Shanghai. Having visited the Shanghai Hongqiao CBD and ITH as well as the Shanghai Urban Planning Exhibition Centre, the Delegation is of the view that the land use and infrastructure planning in Shanghai are very forward-looking and deeply inspiring for the future development of Hong Kong.
- 5.5 The Delegation notes that Shanghai Hongqiao in the Old Town Area has been transformed into a massive integrated transportation hub. Hongqiao is also being vigorously developed into Shanghai's modern service industry cluster, a base that houses the headquarters of Mainland and overseas enterprises and trade organizations, and a high-end business hub serving the Yangtze River Delta, the Yangtze River Region as well as the whole country, thereby driving the development of western Shanghai. This shows that the Shanghai Municipal Government has been actively promoting the urban development in Shanghai with long-term and macroscopic policy objectives and a comprehensive planning and development blueprint.
- 5.6 The Delegation also notes the high passenger throughput of Hongqiao ITH, which links with various modes of transport. It not only provides Shanghai people with convenient and highly efficient external and local transport services, but also drives the overall development of the Hongqiao district. During the visit to Hongqiao ITH, the Delegation also toured the Shanghai Hongqiao Railway Station and observed the facilities inside an HSR train compartment. Members note that various parts of our nation are connected by an excellent HSR network. The Delegation believes that, upon the completion of the Guangzhou-Shenzhen-Hongkong Express Rail Link ("XRL"), the Hong Kong railway network will

be connected with the HSR network on the Mainland. This will provide travellers with more transport options for travelling between Hong Kong and various Mainland provinces and cities, and will enhance the exchanges between Hong Kong people and people in various provinces and cities, thereby facilitating Hong Kong's future development and effectively promoting the social and economic development in both Hong Kong and the Mainland. In the light of the delay in the XRL project, the Delegation hopes that the HKSAR Government would prudently review the project progress and supervise more stringently the implementation of the relevant works to ensure completion of the project as soon as possible.

- 5.7 The Delegation considers it worthwhile for Hong Kong to draw on the experience of Shanghai given the latter's remarkable development in recent years. The HKSAR Government should make reference to Shanghai's planning and development experience and formulate clear development targets for Hong Kong having regard to Hong Kong's needs and actual circumstances. The HKSAR Government should also, in the light of Hong Kong's development targets, make long-term and comprehensive plans for land use and infrastructure development in Hong Kong, so as to promote the sustainable development of Hong Kong.

Hong Kong's development opportunities arising from the policy on deepening and enhancing the nation's reform

- 5.8 The Delegation attended three seminars respectively conducted by Professor QU Xing, President of the China Institute of International Studies, Professor ZHANG Yansheng, Secretary-General of the Academic Committee of the National Development and Reform Commission, and Mr DAI Haibo, Deputy Secretary General of the Shanghai Municipal Government. Through the elaboration of the three experts, the Delegation had more in-depth understanding of China's international relations, the measures on deepening our nation's reform and the Shanghai FTZ. The Delegation also met with senior officials of Shanghai Municipality and exchanged views with them on the development of Shanghai and Hong Kong and on mutual co-operation.
- 5.9 The Delegation notes that, after three decades of reform and opening-up, the nation has attained tremendous progress and it has

jumped to the second place in the world in terms of economic output. Currently, the development of the nation has entered a new phase. In the face of the changing domestic and international landscape, and the challenges presented to the nation in the course of development, the Central Government has decided to promote the comprehensive deepening of reforms. Various reform measures are being introduced to promote and support the nation's economic and social development.

- 5.10 The Delegation notes that, as shown by expert analyses and data, the rules of global economic and trade development are changing, including exclusive regional arrangements and the emergence of trade protectionism. Coupled with the high standards for the liberalization of investment and the service trade regimes, it is impossible for developing countries to comply with these standards. In view of this, the nation has established the Shanghai FTZ for trial implementation, for the purpose of exploring new paths for the nation's reform and opening up, and improving management standards. The possibility of establishing FTZs in other places, such as the Pearl River Delta, in the future cannot be ruled out.
- 5.11 The Delegation notes that the Central Authorities have always attached great importance to giving play to the advantages and functions of Hong Kong, and the development needs of Hong Kong are considered in co-ordinating Mainland's various reform and development initiatives. The Delegation notes that Premier LI Keqiang has announced the launching of the Shanghai-Hong Kong Stock Connect for promoting the two-way opening up of the capital markets in Hong Kong and Shanghai. On the one hand, it reflects that the Central Authorities are committed to intensifying the promotion of financial reforms, and facilitating the standardization and internationalization of our nation's financial sector; on the other hand, it illustrates that, with its unique advantages such as a good system of the rule of law, a mature stock market and financial market, Hong Kong continues to play a pivotal role in promoting the reform and opening-up of our nation's financial market as well as facilitating its integration with the international market.
- 5.12 Members of the Delegation consider that Hong Kong should take advantage of the opportunities arising from the comprehensive deepening of the nation's reform by enhancing Hong Kong's competitiveness and strengthening our planning for long-term

development. The Delegation believes that the establishment of the Shanghai FTZ and the launching of the Shanghai-Hong Kong Stock Connect will bring significant business opportunities for Hong Kong's business, trade and finance sectors, and facilitate closer co-operation between Hong Kong and Shanghai. The Delegation hopes that the HKSAR Government would seize the opportunity of the Third Plenary Session of Hong Kong/Shanghai Economic and Trade Co-operation Conference to be convened in the third quarter of 2014 to more actively promote all-round co-operation between Hong Kong and Shanghai, in order to complement each other's strengths, bring mutual benefits to the two places and generate a win-win situation.

Exchanges on Hong Kong's political development

- 5.13 The Delegation took the opportunity of having discussions with Mr WANG Guangya, Mr LI Fei and Mr ZHANG Xiaoming to actively express their views on Hong Kong's political development. The Delegation noted that, despite the differences between the three officials of the Central Authorities and some Members on the method for selecting CE by universal suffrage in 2017, the frank expression of views by both sides helped narrow the communication gap. The Delegation believes that the three officials of the Central Authorities and Members have reached consensus on at least two areas through their discussions: that all involved parties should be committed to implementing the selection of CE by universal suffrage in 2017 and that they should continue to have pragmatic and rational communication in order to achieve this objective.
- 5.14 The Delegation notes that since the reunification, this has been the first open meeting between officials of the Central Authorities and pan-democratic Members on the political development of Hong Kong. The Delegation welcomes the open-minded attitude displayed by these officials but considers that having met only once cannot solve all problems. Therefore, the Delegation hopes to have more opportunities in future for communication with officials of the Central Authorities, for the purpose of exchanging views on Hong Kong's political development and on other issues as well. In this connection, the Delegation is pleased to note that the relevant departments of the Central Government will maintain contact with Members in various ways and engage in more in-depth exchanges.

The Delegation hopes that on-going communication between officials of the Central Authorities, Members and various sectors of the community in Hong Kong can help narrow the differences in views and all involved parties can work together for a mutually acceptable proposal for the method for selecting CE in 2017.

Integration of Hong Kong and the Mainland

5.15 The Delegation notes that, since the reunification, Hong Kong's exchanges and co-operation with the Mainland have become increasingly frequent, especially in respect of economic development, while exchanges and co-operation between the two places represent an irreversible trend. The Delegation understands the importance of the integration of Hong Kong and the Mainland. However, there are bound to be hiccups given the deepening of co-operation as well as more regular movement of people and cultural differences between the two places. For example, the problems arising from the Individual Visit Scheme have aroused the concern of many Hong Kong people in recent years. The Delegation notes that the Hong Kong and Macao Affairs Office of the State Council and the departments concerned under the Central Authorities have taken the matter seriously, and they will jointly examine ways to further improve the policies and measures relating to the Individual Visit Scheme.

Acknowledgements

The Delegation would like to express its heartfelt gratitude for the tremendous support rendered by the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region, the Foreign Affairs Office of the Shanghai Municipal People's Government and the Hong Kong and Macao Affairs Office of the Shanghai Municipal People's Government, which was vital to the success of the duty visit. The Delegation is especially grateful to the Shanghai Municipal People's Government for making meticulous plans and thoughtful arrangements for the Delegation's visit amid its tight schedules of planning for various external affairs activities.

The Delegation not only visited Shanghai's various state-of-the-art facilities, but also got the opportunity to meet with Mr HAN Zheng, Secretary of the Communist Party of China Shanghai Municipal Committee, and other senior officials of Shanghai Municipality. The Delegation also attended a lunch gathering with Hong Kong people residing in Shanghai and exchanged views with them on the latest developments of the nation and Shanghai. The Delegation is deeply grateful to the various host organizations for their generous hospitality and patient explanation.

The Delegation also thanks Professor QU Xing, President of the China Institute of International Studies, Professor ZHANG Yansheng, Secretary-General of the Academic Committee of the National Development and Reform Commission, and Mr DAI Haibo, Deputy Secretary-General of the Shanghai Municipal Government for briefing the Delegation on the subjects of international developments and China's foreign policies, the deepening and enhancing of the nation's reform as well as the Shanghai Free Trade Zone. The seminars proved to be extremely useful to the Delegation.

Furthermore, the Delegation thanks Mr WANG Guangya, Director of the Hong Kong and Macao Affairs Office of the State Council, Mr LI Fei, Deputy Secretary-General of the Standing Committee of the National People's Congress ("NPCSC") cum Chairman of the Hong Kong Special Administrative Region Basic Law Committee under NPCSC, and Mr

ZHANG Xiaoming, Director of the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region for meeting the Delegation in Shanghai, and exchanging views with the Delegation on Hong Kong's political development and other issues of mutual concern.

Last but not least, the Delegation would like to express its profound gratitude to Mr LEUNG Chun-ying, the Chief Executive of the Hong Kong Special Administrative Region, Mr Edward YAU, the Director of the Chief Executive's Office, and Mr Raymond TAM, the Secretary for Constitutional and Mainland Affairs for accompanying the Delegation to participate in various activities. The Delegation also wishes to thank the Chief Executive's Office, the Constitutional and Mainland Affairs Bureau and the Hong Kong Economic and Trade Office in Shanghai for their kind assistance in putting together the visit programme and making the logistical arrangements.