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The Guangdong–Hong Kong–Macao Greater Bay Area: Enhancing Collaborative Governance of the CEPA Implementation and Regional Integration

CHAN Fung

The Closer Economic Partnership Arrangement (CEPA) was signed between Hong Kong and mainland China in 2003. It helped Hong Kong to recover its economy and widened the gate of economic integration between the two places. In 2015, the central government further proposed the concept of the Guangdong–Hong Kong–Macao Greater Bay Area (GBA) under the planning of the Belt and Road Initiative (BRI). This article proposes that the Chinese authority wishes the better implementation of the CEPA under the GBA framework to serve as an example of economic cooperation for the international communities. This article provides insights from two perspectives: (i) it analyses the inherent problems of the CEPA's initial settings, which are often neglected in the current literature; and (ii) it explains how the GBA would improve the collaborative governance of the CEPA implementation.

Hong Kong–mainland China integration can be traced back 40 years to the “reform and open door” policy in 1978, when Hong Kong’s investors relocated their factories to the Mainland to cut cost of production. The whole process was business-oriented, and the Hong Kong government did not play any essential role in the economic cooperation with the Mainland. Such purely business-oriented cooperation continued until 2003 when the governments from Hong Kong and mainland China, for the first time, engaged in the Closer Economic Partnership Arrangement (hereafter CEPA or Agreement)—a free trade agreement that is based on government policies aiming to stimulate the recovery of Hong Kong’s economy after the 1997 Asian financial crisis and the 2002–3 outbreak of the severe acute respiratory syndrome (SARS). The Agreement eliminated various existing trade barriers and facilitated Hong Kong–Mainland integration from the economic perspective. After the CEPA had been implemented for over a decade, problems emerged in the setting of the Agreement, requiring imminent amendments to maintain its effectiveness. As one possible amendment, in 2015, the central government proposed the concept of the Guangdong–Hong Kong–Macao Greater Bay Area (GBA) as part of the country’s overall Belt and Road Initiative (BRI). Since then, more measures have been taken to improve the CEPA implementation under the framework of the GBA.

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The main theme of this article is to examine the collaborative governance of the CEPA implementation. Ansell and Gash define the term “collaborative governance” as follows: “A governing arrangement where one or more public agencies directly engage non-state stakeholders in a collective decision-making process that is formal, consensus-oriented, and deliberative and that aims to make or implement public policy or manage public programs or assets.”¹

In the context of the current understanding of Hong Kong–Mainland integration, this article analyses the central (Mainland) and local (Hong Kong) interests and interactions across the CEPA. The process of implementing the policy involves various stakeholders from both the state and society, thus establishing collaborative networks. The continually improved CEPA implementation via interactions also demonstrates that collaborative governance has been enhanced.

The current literature on the regional integration and CEPA focuses on the contribution to economic development. As Anthony Yeh proposed in his research after the 1997 handover of Hong Kong, better cooperation and coordination between Hong Kong and other parts of the Pearl River Delta would prevent unnecessary competition and duplicated development.² George Lin also maintains that Hong Kong was a shelter for global capital to take root in socialist soil (the Mainland), and cooperation in the Delta would help the overall region alleviate the shocks of globalisation and economic restructuring.³ The central government later introduced the CEPA to deepen integration in 2003. The CEPA agreement, under the unique framework of “one country, two systems”, transformed the mechanism of cooperation at a subnational level towards institution-based integration in East Asia.⁴ It also reaffirmed the work specialisation between Hong Kong and the Mainland: the former was a service hub, and the latter a manufacturing base.⁵ Collaborative governance among local governments in mainland China and Hong Kong was then established by different political and institutional players in formulating the related policies.⁶ However, very little of the literature reveals the inherent weaknesses of the CEPA framework. While the central government was considered as a facilitator and supporter in Hong Kong–Shenzhen institutional integration, the cross-boundary strategy of the Hong Kong government was based on

¹ Chris Ansell and Alison Gash, “Collaborative Governance in Theory and Practice”, *Journal of Public Administration Research and Theory* 18, no. 4 (2008): 543–71.

² Anthony G.O. Yeh, “Hong Kong and the Pearl River Delta: Competition or Cooperation?”, *Built Environment* 27, no. 2 (2001): 129–45.

³ George C.S. Lin, “Metropolitan Development in a Transitional Socialist Economy: Spatial Restructuring in the Pearl River Delta, China”, *Urban Studies* 38, no. 3 (2001): 383–406.

⁴ Yang Chun, “From Market-led to Institution-based Economic Integration: The Case of the Pearl River Delta and Hong Kong”, *Issues and Studies* 40, no. 2 (2004): 79–108.

⁵ Peter Y.W. Chiu, “CEPA: A Milestone in the Economic Integration between Hong Kong and Mainland China”, *Journal of Contemporary China* 15, no. 47 (2006): 275–95.

⁶ Peter T.Y. Cheung, “Toward Collaborative Governance between Hong Kong and Mainland China”, *Urban Studies* 52, no. 10 (2015): 1915–33.

Hong Kong's internal economic and social conditions,⁷ which means that Hong Kong only treated the Mainland as a backyard of its economic development, not a partner. From this perspective, Hong Kong was unprepared for the regional integration and long-term commitments in the previous decade. At the same time, the policy content of the integration was subject to the political wills of top officials in the Mainland, and thus more uncertainties and risks were inevitably prevented in the process of formulating and implementing the related policies.⁸ Worse still, Hong Kong's rising hostility towards the Mainland due to the growing resistance to socio-economic integration⁹ has further complicated the situation. While the integration may have provided more opportunities for the business sectors, possible opposition from people in Hong Kong to China's growing influence cannot be neglected.

This article attempts to analyse the collaborative governance of the CEPA implementation from two perspectives. First, there were inherent weaknesses in the CEPA settings in the initial stage, revealing that this Agreement has not reached a mature stage for a formal free trade agreement. Although this article does not deny the contribution of CEPA, those weaknesses did affect the effectiveness of the Agreement, which most current literature omits to discuss. Second, the findings in this article demonstrate that the CEPA implementation has improved under the framework of the GBA. More measures were taken to remedy the early problems of the CEPA agreement. This article also proposes that both the CEPA and the GBA were decisions made by the central government, clearly with political considerations. While the objective of the CEPA was to maintain the popularity of the Hong Kong government after its serious economic downturn, that of the GBA was to completely integrate Hong Kong into the Mainland economically, socially and even politically. Through maintaining Hong Kong's prosperity and stability, the central government has hoped that Hong Kong could serve as exemplary of economic integration with the Mainland for the international communities.

FROM BUSINESS-ORIENTED INVESTMENT TO GOVERNMENT-BASED CEPA

Hong Kong and the Mainland had engaged in a subtle relationship since the establishment of the People's Republic of China (PRC) in 1949. Since Great Britain was one of the few Western developed countries that recognised the PRC as the sole legal government of China, the People's Liberation Army decided not to invade Hong Kong, at the time a British colony, during the Chinese Civil War (1946–49). To

⁷ Shen Jianfa and Luo Xiaolong, "From Fortress Hong Kong to Hong Kong-Shenzhen Metropolis: The Emergence of Government-led Strategy for Regional Integration in Hong Kong", *Journal of Contemporary China* 22, no. 84 (2013): 944–65.

⁸ Anthony G.O. Yeh and Xu Jiang, "Regional Cooperation in the Pan-Pearl River Delta: A Formulaic Aspiration or a New Imagination?", *Built Environment* 34, no. 4 (2008): 408–26.

⁹ Lui Tai Lok, "A Missing Page in the Grand Plan of 'One Country, Two Systems': Regional Integration and its Challenges to Post-1997 Hong Kong", *Inter-Asia Cultural Studies* 16, no. 3 (2015): 396–409.

maintain a friendly relationship with the British government and the Chinese locals in the colony, the central government entered into an agreement with the colonial authority to guarantee the stable supply of fresh water from the Dongjiang River in Guangdong to Hong Kong. In addition, three railway lines, also known as “*santang kuaiche*” (three cargo express trains), were arranged to transport fresh food every day to maintain the daily needs of the Hong Kong people. However, interaction between Hong Kong and the Mainland, whether social and governmental, was maintained at a low level during that period. Since 1978, the Mainland’s market was gradually liberated under the “reform and open door” policy. Guangdong thereafter transformed itself from being in the vanguard of national defence to the experimental site of opening up for foreign investments due to its geographical proximity to Hong Kong, thus providing a great opportunity for Hong Kong’s capitalists to invest in manufacturing industries in the Mainland.

Hong Kong Business-oriented Investment in Guangdong

Following its opening up to Hong Kong and foreign investors, Guangdong became a global production base for light industry. By the turn of 1996, around 15,000 foreign manufacturing firms were established in the Pearl River Delta, providing 2.8 million jobs and generating RMB400 billion in annual industrial output.

In the 1980s, Hong Kong was undergoing massive economic transformation, and the land and labour costs experienced drastic growth. Consequently, over 90 per cent of factories in Hong Kong were relocated to the Mainland in order to lower production costs. The “front shop, back factory” model was then established.¹⁰ While headquarters were retained in Hong Kong, factory plants were in the Mainland, and these would execute the decisions from Hong Kong’s managerial staff. The “front shop” was responsible for importing raw materials, equipment as well as product designs and quality control in the process. The “back factory” simply undertook the role of processing and assembling components. Finished goods were then transported back to Hong Kong for re-export to international markets. This model took the advantages of advanced management skills and the international networks of Hong Kong’s business sectors, and at the same time stimulated the industrial development and resolved the problem of surplus labour in mainland China. The gross domestic product (GDP) in both Hong Kong and the Mainland grew dramatically through this cooperation. In the 1990s, as Hong Kong and Guangdong played the roles of the “shop” and the “factory”, respectively, a much clearer picture of cooperation between Hong Kong and the Pearl River Delta emerged. The Pearl River Delta was then regarded as the “extended metropolitan region” of Hong Kong.¹¹

¹⁰ Victor F.S. Sit and Yang Chun. “Foreign-investment-induced Exo-urbanisation in the Pearl River Delta, China”, *Urban Studies* 34, no. 4 (1997): 647–77.

¹¹ Victor F.S. Sit, “China’s WTO Accession and its Impact on Hong Kong–Guangdong Cooperation”, *Asian Survey* 44, no. 6 (November/December 2004): 815–35.

Another key factor for Hong Kong's capitalists to invest in the Mainland was related to the incentives offered by the provincial and other local governments in Guangdong to attract foreign investment. The provincial government guaranteed to provide Hong Kong capitalists cheap land, power, water, transportation and other infrastructure in different localities throughout the province. The government initiatives were stimulated by the fiscal reform of the central government in the 1980s. The "eating in separate kitchen" (*fenzao chifan*) policy was introduced and implemented across the local governments in Guangdong. The localities were responsible for balancing their own budgets, and the upper-level governments no longer had the obligation to bail out their lower-level authorities and the deficits.¹² For the purpose of expanding the financial capacities in their jurisdictions, local officials played active roles in attracting new investments by providing various types of incentives. However, many early policies made by various localities were experimental and short term, and thus Hong Kong's business sectors devoted much effort in lobbying activities. The business sectors had actually sought opportunities to invest in Guangdong while introducing various international practices and concepts into the Mainland.

Another factor that points to the business-oriented economic integration is that the colonial authority was not interested in cooperating with the Mainland, and the support from the Hong Kong government was weak. As a matter of fact, Hong Kong's capitalists invested in the Mainland because of their patriotism and confidence towards the motherland. Extensive kinship and other cultural ties with the Pearl River Delta and other parts of the Mainland also strengthened the economic linkages.¹³ At the 40th anniversary celebration of the "reform and opening up" policy, the central government repeatedly affirmed the contribution of "patriotic" Hong Kong capitalists to the industrial development of China during the early stage of reform.¹⁴ The business-oriented "front shop, back factory" model, involving encouragement of the mainland governments, was the first attempt of economic integration between Hong Kong and the Mainland after the 1970s. The preliminary interaction network had been established since then.

Central Government-based CEPA for Hong Kong

The PRC resumed sovereignty of Hong Kong in the 1997 handover, and Hong Kong was transformed from a British crown colony to China's special administrative region (SAR). Soon after the handover, Hong Kong was hit by the Asian financial crisis,

¹² Susan L. Shirk, "'Playing to the Provinces': Deng Xiaoping's Political Strategy of Economic Reform", *Studies in Comparative Communism* 23, no. 3–4 (1990): 227–58.

¹³ George C.S. Lin, *Red Capitalism in South China: Growth and Development of the Pearl River Delta* (Vancouver: University of British Columbia Press, 1997), p. 186.

¹⁴ "Huijian Xianggang Aomen gejie qingzhu guojia gaige kaifang 40 zhounian fangwentuan shi de jianghua" (Speech at Meeting the Hong Kong and Macao Representatives of the 40th Anniversary Celebrations of the "Reform and Open" Visiting Group), *Renmin ribao* (*People's Daily*), 12 November 2018, p. 2.

leading to the collapse of its property and stock markets. In 2003, the level of popularity of the newly established Hong Kong SAR government had reached a nadir since 1997. The SARS outbreak in 2002 led to over 300 deaths in the city and the disease further undermined economic recovery. Worse still, the government attempted to implement Article 23 of the Basic Law, which stipulates that the SAR government shall enact laws to safeguard the national security of the PRC. The national security bill was then proposed in 2003, but its considerable controversy triggered a massive demonstration on 1 July in the same year. The demonstrators expressed their fears over the bill's potential restriction of Hong Kong's existing rights and freedoms. Although the government withdrew the bill after the demonstration, the withdrawal could not prevent the great loss that pro-Beijing parties suffered at the 2003 district council elections. The low popularity rating of the SAR administration alerted the central government, because it might undermine the stability of Hong Kong and the "one country, two systems" policy. During the period, the central government implemented policies favourable to Hong Kong to improve economic conditions. One of the policies entailed the signing of the CEPA to promote economic integration with the Mainland. From this perspective, the CEPA was introduced out of political considerations, since an improving economy could improve the dwindling popularity rating of the Hong Kong administration.

After the signing of the CEPA, the original business-oriented cooperation between Hong Kong and Guangdong was transformed into a government-based arrangement. The CEPA was the first free trade agreement concluded between Hong Kong and the central government, providing great investment opportunities for the markets of goods and services. The agreement enhanced economic integration between both sides and aimed to achieve a "win-win situation". While Hong Kong investors were granted more chances of starting their businesses in different provinces and cities, the mainland Chinese companies could also dive into the international market using Hong Kong as a springboard. At the same time, foreign enterprises could gain access to the mainland market by registering their companies in Hong Kong. The main content of the CEPA in the first decade of implementation included three board scopes: (i) trade in goods; (ii) trade in services; and (iii) trade and investment facilitation.¹⁵ In addition, the Individual Visit Scheme (IVS) for mainland travellers was also introduced through the CEPA.

Trade in goods

From the beginning of 2006, goods labelled "Made in Hong Kong" enjoyed a zero tariff when imported into the Mainland. These goods would fulfil the rules of origin requirements of the CEPA and could not violate the rules and regulations set by

¹⁵ "Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)", Trade and Industry Department, The Government of the Hong Kong SAR, at <http://www.tid.gov.hk/english/cepa/cepa_overview.html> [15 October 2013].

the Mainland to implement various international trade treaties. Items classified as “lifts designed for the transport of persons (tariff code: 84281010)” can be taken as an example. In order to satisfy the rules of origin, the processing and assembly of the metal works of these lifts are required to be in Hong Kong. Before importing the items into the Mainland, the “Certificate of Hong Kong Origin—CEPA” should be issued by the Trade and Industry Department or one of the following organisations: (i) Chinese General Chamber of Commerce; (ii) Chinese Manufacturers’ Association of Hong Kong; (iii) Indian Chamber of Commerce (Hong Kong); (iv) Federation of Hong Kong Industries; or (v) Hong Kong General Chamber of Commerce. In addition, manufacturers should obtain their factory registration from the Hong Kong government before applying for the certificate for their products. The rules of origin would be reviewed twice a year by the affiliated departments of Hong Kong and the Mainland.

Trade in services

With the implementation of the CEPA, service suppliers of the agreed sectors in Hong Kong enjoy preferential terms, including lower capital requirements and relaxed restrictions of local regulations, and wholly owned businesses, etc., are permitted to set up business in the Mainland. The clauses in the CEPA provide a clear definition of Hong Kong Service Suppliers (HKSS), categorising them into two types. The first type was “natural persons”, referring to Hong Kong permanent residents; and the second was “legal persons”, i.e. the legal entities established in Hong Kong including partnership and corporation. Under the CEPA scheme, all entities acquired by the legal persons should apply to the government for an HKSS Certificate before providing services to the Mainland. The selected sectors are those with competitive advantages in Hong Kong. For example, the air transport service was one of the sectors liberalised under measures of the CEPA. Various commitments were made in the agreement (e.g. allowing the HKSS to set up air transport sales agencies in the Mainland in different forms of investments; and allowing the HKSS to operate aircraft repair businesses in the Mainland). In addition, Hong Kong and the Mainland had attained mutual recognition of certain types of professional qualifications, such as structural engineers, architects, estate surveyors, securities and futures industry practitioners, patent agents, estate agents, etc. Registered professional practitioners were allowed to practice in either Hong Kong or mainland China.

Trade and investment facilitation

Under CEPA, Hong Kong and mainland China agreed to promote their cooperation in 10 areas as follows: (i) customs clearance facilitation; (ii) commodity inspection and quarantine, food safety, quality and standardisation; (iii) cooperation of small and medium-sized enterprises; (iv) cooperation in industries; (v) electronic business; (vi) trade and investment promotion; (vii) transparency in laws and regulations; (viii) intellectual property protection; (ix) cooperation on branding; and (x) cooperation

on education. The aforementioned 10 types of cooperation cover nearly all perspectives of the economic activities between Hong Kong and the Mainland, and the measures mainly include simplifying the procedures and enhancing mutual understanding.

Individual visit scheme (IVS)

According to Article 14 in the main text of the CEPA, Guangdong residents are allowed to visit Hong Kong through the IVS. Before the scheme was introduced, mainland travellers to Hong Kong were required to hold business visas or join group tours. The IVS was first implemented in Dongguan, Zhongshan and Jiangmen (three municipal cities in Guangdong) on a trial basis, and then extended to the entirety of Guangdong in July 2004.¹⁶ The IVS gradually expanded its coverage to include more provinces and municipalities in the Mainland.

To sum up, the CEPA agreement was signed in 2003 when Hong Kong was undergoing a severe economic downturn following the Asian financial crisis and the SARS outbreak. The Agreement benefited certain groups of Hong Kong people engaged in goods trading, manufacturing, professional services and investment. The central government was hopeful of maintaining Hong Kong's prosperity to validate the achievement of "one country, two systems". The central government was directly involved in the formulation of CEPA, unlike the previous cooperation initiated by the business sectors and the mainland local governments prior to 2003. Due to the challenges of coordination among different layers of the government, problems related to CEPA implementation arose.

INITIAL PROBLEMS IN CEPA IMPLEMENTATION

The CEPA had undoubtedly brought about economic contributions to Hong Kong's economy and met its objective to improve the popularity rating of the Hong Kong government. According to a document released by the Legislative Council of Hong Kong in 2010, the Hong Kong government had been closely monitoring the CEPA's economic impact on Hong Kong from 2004 to 2009. During the period, cumulative incomes from CEPA-related business secured by the Hong Kong companies reached HK\$62 billion. From 2007 to 2009, HKSS's income in the Mainland reached HK\$199 billion. Due to the closer relationship forged with the Mainland, companies in Hong Kong also saw a boost in additional revenue valued at HK\$55 billion. Moreover, more than 2,000 mainland enterprises were permitted to invest in Hong Kong, injecting HK\$189 billion in capital from 2004 to 2009. As the IVS was extended to 49 cities in the Mainland, the number of IVS visitors to Hong Kong increased from 4.2 million in 2004 to 10.6 million in 2009, contributing to HK\$85 billion in additional spending.

¹⁶ "CEPA Main Text and Six Annexes (Signed on 29 June 2003 and 29 September 2003 Respectively)", Trade and Industry Department, The Government of the Hong Kong SAR, at <<https://www.tid.gov.hk/english/cepa/legaltext/fulltext.html>> [1 May 2019].

Under the overall policy of the CEPA, 54,700 jobs were created in Hong Kong and 40,600 in the Mainland.¹⁷

The CEPA is a central government-based policy to promote economic integration between Hong Kong and the Mainland. Officials and social sectors on both sides were essential stakeholders during the CEPA implementation. In an ideal collaborative condition, a formal mechanism should be established to ensure all parties are involved in the policymaking process. However, given that CEPA's chief objectives were to stimulate Hong Kong's economy and to recover Hong Kong people's confidence in 2003, the policy formulation process was drastically shortened in order for the central government and the Hong Kong government to arrive at a consensus, thus leading to a lack of thorough consultation across various stakeholders. Although consultations were held and supplementary documents subsequently signed in order to improve the arrangements after 2003,¹⁸ problems surfaced at the initial stage of the CEPA implementation and the effectiveness of overall policy was inevitably affected.

Lack of Dispute-resolving Mechanism

In Hong Kong's 2013 Policy Address, Chief Executive Leung Chun-ying proposed to enhance government-to-government cooperation, especially for relationships between Hong Kong and provinces as well as municipalities in the Mainland. The CEPA formal document was signed by the financial secretary of Hong Kong and the Chinese vice minister of the Ministry of Commerce. This document represents a free trade agreement between the central and local authorities within the same country. The specific communication channel between the two governments was established after the signing of the Agreement. According to Article 19 in the main text of the CEPA, a joint steering committee was established to include senior officials or representatives from both sides. Its functions include: (i) supervising the implementation of CEPA; (ii) interpreting the provisions of CEPA; (iii) resolving disputes that may arise during the implementation; (iv) drafting additions and amendments to the content of CEPA; (v) providing steering oversight of the work of the working groups; and (vi) dealing with any other business relating to the implementation of the CEPA. The committee was required to meet once a year and a special meeting should be held within 30 days upon request by either side. The main text also states that liaison offices under the steering committee be established in the Ministry of Commerce of the central government and in the Commerce, Industry and Technology Bureau of Hong Kong. If necessary, working groups on different issues could be formed to solve problems. While the decision-making mechanism in the steering committee was by consensus,

¹⁷ "Legislative Council Panel on Commerce and Industry—The Mainland and Hong Kong Closer Economic Partnership Arrangement", Economic Analysis and Business Facilitation Unit, Financial Secretary's Office, at <<https://www.legco.gov.hk/yr09-10/english/panels/ci/papers/cicb1-2065-1-e.pdf>> [1 July 2019].

¹⁸ The supplementary documents include 10 Supplements to CEPA and other agreements, such as "Guangdong Agreement", "Investment Agreement (2018)", etc.

the method of solving problems was through “consultation in the spirit of friendship and cooperation”.¹⁹

The temporary initial organisational structure of the CEPA and its lack of detail in its design show that the formal free trade agreement was signed in haste between the two jurisdictions in 2003 during the economic downturn. The oversimplified decision-making mechanism and dispute resolution did eventually impact the effectiveness of the CEPA implementation. While the “consultation in the spirit of friendship and cooperation” indeed helped facilitate negotiations based on mutual respect and understanding between the two authorities of same national sovereignty, it should be noted that the lack of strong institutional settings implies that decision-making would be difficult should disputes among different parties arise. As mentioned earlier, three institutions were established under the requirements of the CEPA framework—the joint steering committee, the liaison offices and the working groups. The joint steering committee, as the decision-making unit in the CEPA framework, holds its meeting only once a year, and thus the daily affairs related to CEPA will be operated by the liaison offices. Nevertheless, since the offices are institutions merely responsible for exchanging information and communication, they do not possess real power to resolve any disputes. While the purpose of setting up working groups is to study and discuss different technical issues, but most of the time, they serve as advisory bodies to the joint steering committee.

Beyond the mechanism, there are other different approaches to dispute resolution, such as political settlement and judicial review. Political settlement refers to filing appeals to the higher authorities to make final decisions. As a unitary state, the Chinese central government has the power to make a judgement when conflicts arise among localities. In the case of the CEPA, either the Hong Kong government or the PRC’s Ministry of Commerce could appeal to the State Council or the National People’s Congress to seek judgement. Judicial review is a means to involve judiciary institutions to draw verdicts on the issues. Hong Kong’s court system should be an independent branch to make final objective decisions under the common law system. However, under the Party-state model, the courts in mainland China are a part of the Chinese government. There is no guarantee of fair judgement for cases that involve conflicts with the public sector. Worse still, judgements made by the courts in Hong Kong are difficult to execute in the Mainland, and vice versa. In fact, neither political settlement nor judicial review is an ideal approach and they may be detrimental to maintaining good relationships between the Hong Kong government and the Ministry of Commerce. The aforementioned approaches should be used only as a last resort. As such, the CEPA framework, due to the lack of a robust dispute resolution mechanism, may not be adequately strong to effectively implement the Agreement.

¹⁹ “CEPA Main Text and Six Annexes (Signed on 29 June 2003 and 29 September 2003 Respectively)”, Trade and Industry Department, The Government of the Hong Kong SAR.

The European Union (EU) and the ASEAN Free Trade Area (AFTA) are two examples of free trade agreements which have fundamentally complete institutional settings.²⁰ The EU has the most mature free trade mechanism in the world, as it applies the separation of powers concept in the executive, legislature and the judiciary branches. The European Commission acts as the “government” responsible for implementing EU policy; the Council of the European Union and the European Parliament act as the legislature branch with the power to enact law; the EU Court is responsible for interpreting the European law. When disputes arise, the member states and relevant parties can simply appeal the cases to the court system to resolve problems. The court system in the EU is divided into two layers—the General Court and the Court of Justice. The former is the court of first instance responsible for the new cases from the member states, while the latter is the highest legal institution in the EU responsible for the appeal cases. However, the EU model is not an easy example for other regions to emulate. The EU law system takes time to evolve and establish, while the member states are required to be constrained by the system to a large extent.

In the case of AFTA, despite the absence of formal institutions for dispute settlement, mechanisms are in place to handle issues. According to the “ASEAN Protocol on Enhanced Dispute Settlement Mechanism”,²¹ member states could request the Senior Economic Officials Meeting (SEOM) to set up a panel of independent arbitrator to pass verdicts. If member states are still dissatisfied with the panel report, they are allowed to file a further appeal to the ASEAN Economic Community Council. In the process of resolving disputes, since the SEOM requires consensus among all members, member states with vested interests could utilise their veto power to overthrow any proposed decisions. To make things worse, the SEOM only convenes twice a year. The AFTA, similar to the CEPA in terms of institutional setting, is also criticised for its low effectiveness in resolving disputes, but at least it has in place a mechanism for dispute settlement.

Establishing a robust dispute settlement mechanism is key to improving CEPA’s institutional setting. Yang Chun has proposed that a regional authority, similar to the EU system, should be set up to enhance cross-boundary cooperation.²² As the central government implemented the CEPA out of political consideration to improve Hong Kong’s economy, officials from both sides were naïve to think that most disputes could be resolved by political means within the same country. However, politics is not an

²⁰ Mu Yaping and Chen Xiao, “Yuegangao jinmi hezuozhong zhengduan jie jue jizhi sheli ji chengxu wenti tanxi” (A Study on the Institution and Procedure of Trade Dispute Settlement in the Closer Cooperation between Guangdong, Hong Kong and Macao), *Yiguo liangzhi yanjiu* (Academic Journal of “One Country Two Systems” [Macao]), no. 7 (2011): 149–52.

²¹ “ASEAN Protocol on Enhanced Dispute Settlement Mechanism”, Association of Southeast Asian Nations, at <https://asean.org/?static_post=asean-protocol-on-enhanced-dispute-settlement-mechanism> [15 February 2020].

²² Yang Chun, “Multilevel Governance in the Cross-boundary Region of Hong Kong–Pearl River Delta, China”, *Environment and Planning A* 37, no. 12 (2005): 2147–68.

appropriate avenue for handling disputes that should theoretically be resolved by legal channels. Additionally, resorting to political powers to solve business issues would portray to the outside world a negative image that the mainland authorities were relying heavily on political means rather than on a formal free trade agreement framework. Such a negative image is certainly detrimental to the Chinese authority's promotion of economic integration with other countries/regions in the future.

Lack of Support from Individual Localities

CEPA implementation was criticised by various sectors in Hong Kong for the “large door opens but small doors closed” (*damen kaiqi xiaomen guanbi*) problem. The central government (the large door) approved the implementation of CEPA arrangements, but various blockades, such as the various types of licence applications required, imposed by the local governments (small doors) in the Mainland still existed. In order to facilitate communication, the Hong Kong government set up offices in Beijing, Guangzhou, Shanghai and Chengdu, each of which is responsible for the affairs of several provincial governments. For example, the Chengdu office enhanced communication with six provinces, namely Sichuan, Chongqing, Guizhou, Shaanxi, Qinghai and Tibet. These offices handle tasks beyond those related to CEPA. For example, they are also in charge of providing information about Hong Kong to relevant units in the Mainland and liaising with Hong Kong's non-governmental bodies in the Mainland.²³ The provincial governments in the Mainland also set up a CEPA enquiry section with officials assigned in their departments of commerce. The communication channels were established to strengthen the relationships among different governments.

Some local governments had actively responded to the CEPA policy, especially the Guangdong government. Guangdong had leveraged its geographical proximity to Hong Kong to closely cooperate with it. Since 1998, the Hong Kong–Guangdong Cooperation Joint Conference has been held yearly and attended by the highest-level officials from both sides. The “Service Implementation of CEPA Sub-group” was formed to assess the potential problems for professional services sectors investing in Guangdong.²⁴ At the municipal level, different forms of measures were implemented to follow up with the CEPA. For example, in 2005, the Guangzhou municipal government and the Hong Kong government set up the Guangzhou–Hong Kong CEPA Market Entry Facilitation Group to assist Hong Kong businesses to obtain approval for setting up in Guangzhou.²⁵ Apart from the Pearl River Delta, Beijing, influenced by the central government, also actively responded to the CEPA arrangements.

²³ “Role of Beijing Office”, Beijing Office, at <<http://www.bjo.gov.hk/en/beijing/role.html>> [1 May 2019].

²⁴ “The Greater Pearl River Delta Business Council (March 2004 to February 2013)”, Constitutional and Mainland Affairs Bureau, at <https://www.cmab.gov.hk/en/archives/regional_cooperation_0201_3.htm> [1 May 2019].

²⁵ “LCQ6: CEPA Market Entry Facilitation Group”, The Hong Kong Government, at <<https://www.info.gov.hk/gia/general/200603/22/P200603220119.htm>> [1 May 2019].

The Beijing Investment Promotion Bureau annually convened the Beijing–Hong Kong Conference (*Jing Gang hui*) to exchange experience and information on investment between the two governments. A specific webpage about the CEPA was also established to introduce how Beijing implemented the relevant measures. These local governments considered the CEPA as an opportunity to cooperate with Hong Kong to attract investments to their jurisdictions.

However, not all local governments enthusiastically welcomed the CEPA. From the outset, local protectionism had prevailed in some localities. Hong Kong's services sector, which had been well-developed for several decades and has established international standards, might undermine the interests of local businesses in the Mainland, especially in the areas of law, accountancy, engineering and management consultation, etc., if it enters China's market. Although there were around 700 companies registered as HKSS in 2005, only about 200 could start their businesses in the Mainland, and the rest were mostly trapped in complicated procedures imposed by the local authorities. For example, while the structural engineering/engineer licence from Hong Kong is recognised in the Mainland under the CEPA framework, local authorities regard the engineering businesses in the Mainland operated by Hong Kong licensed engineers as foreign investments. Thus, with the minimum investment capital requirement set at a very high level, the incentives for small- and medium-sized enterprises to enter the mainland market are greatly reduced. The local protectionism issue was not resolved in the first decade of implementation. In Hong Kong's 2013 Policy Address, the chief executive proposed a joint working group to be established under the CEPA. Representatives from the mainland side would include the Ministry of Commerce, other relevant ministries at the central level and various municipal governments, while the Hong Kong side would be headed by the Trade and Industry Department. The establishment of the joint working group, which aims to eliminate entry barriers and provide assistance to small- and medium-sized enterprises, reflected the persistence of entry problems faced by Hong Kong's sectors for a long time.

Top-down Decision-Making Process

Apart from the local protectionism in the Mainland, the fact that stakeholders are absent from the initial policymaking process has also lowered the effectiveness of collaborative governance of the CEPA. Due to the political urgency in 2003, professional practitioners and investors from Hong Kong were not fully consulted for policies related to the professional services sector in the early stage. More consultations were held only for the preparation of supplementary documents for CEPA and other policies. However, a lawmaker in Hong Kong reflected in 2017 that the “large door opens but small doors closed” problem still exists. As evident in Table 1 released by Commerce and Economic Development Bureau, the Hong Kong government has dedicated efforts to communicate with related sectors and handle enquiries related to the CEPA.

Despite the efforts to establish links of communication with the related departments in the Mainland, the line of communication is not direct as the society expresses its views only through official or semi-official bodies, such as the Greater Pearl River Delta Business Council (GPRDBC) and Hong Kong Trade Development Council (HKTDC), at the top. The GPRDBC was a committee that advised the chief executive of Hong Kong and operated under the Hong Kong Guangdong Cooperation Joint Conference to foster closer economic cooperation within the Greater Pearl River Delta (GPRD) region. Its secretariat was under the Constitutional and Mainland Affairs Bureau of the Hong Kong government, and was set up to provide platforms for the private sector from both sides to exchange views, and to establish ties with provincial and municipal departments in Guangdong. The council was formed by scholars and representatives of different business sectors. It also worked with the Central Policy Unit (of the Hong Kong government) to conduct research on upcoming development in the GPRD region.²⁶ However, the Committee ceased to function in 2013.

TABLE 1
NUMBER OF ENQUIRIES HANDLED BY THE HONG KONG GOVERNMENT

	2015	2014	2013
Hong Kong Service Supplier (HKSS) Certificate	7,536	7,332	7,446
Rules of origin, Certificate of Hong Kong Origin, factory registration	2,543	3,125	3,202
Market access commitments of individual sectors	275	298	453
Individually owned stores	18	17	30
List of products enjoying zero tariffs	47	79	137
Other enquiries	183	178	243
Total	12,777	10,602	11,511

Source: "LCQ13: Implementation of Mainland and Hong Kong Closer Economic Partnership Arrangement in Guangdong–Hong Kong–Macao Bay Area", The Hong Kong Government, at <<https://www.info.gov.hk/gia/general/201711/08/P2017110800625.htm?fontSize=1>> [1 July 2019].

The HKTDC is a statutory body responsible for promoting Hong Kong-based business to international markets. Over 40 offices were set up around the world, and 11 offices are in the Mainland. The council promotes Hong Kong as a platform to establish business relations with the mainland and Asian partners, and also emphasises the importance of the CEPA. Its China Business Advisory unit was supported by China's Ministry of Commerce, the Shanghai Municipal Commission of Commerce, and the Guangdong Department of Foreign Trade and Economic Cooperation to provide consultation for the small- and medium-sized enterprises in Hong Kong.²⁷ Although

²⁶ Constitutional and Mainland Affairs Bureau, "The Greater Pearl River Delta Business Council (March 2004 to February 2013)".

²⁷ "HKTDC Business Advisory Services", Hong Kong Trade Development Council, at <<http://hong-kong-economy-research.hktdc.com/business-news/article/Small-Business-Resources/HKTDC-Business-Advisory-Services/sbr/en/1/1X000000/1X04VVIX.htm>> [1 May 2019].

enterprises could report their difficulties through the council, there is no avenue to exert real pressure on the mainland authorities. In addition, the council does not have adequate resources to deal with most of the localities in the Mainland. As proposed by the GPRDBC in the previous decade, multilayer relationships should be established to ensure the business sectors have direct communication channels with relevant departments in the Mainland. Stakeholders on the front line should have more channels to voice their views in the Mainland, and not all affairs would need to go through the official or semi-official bodies at the top.

On the other hand, the aforementioned official or semi-official bodies are a part of the advisory system in Hong Kong, and most of the members in these bodies were appointed by the chief executive. Hong Kong is actually running a semi-democratic system, in which business or professional sectors enjoy greater political rights through the existence of functional constituencies in the Legislative Council and the Election Committee.²⁸ The Hong Kong government is at least inclined to receive and absorb opinions from various business or professional sectors, but not from ordinary citizens.²⁹ The citizens should also be considered important stakeholders in the CEPA implementation, since their daily life has been seriously disrupted by IVS visitors. For example, the towns along the border on the Hong Kong side have attracted massive influx of mainland visitors, who engage in parallel-goods trading. These IVS visitors purchase various daily commodities, such as electronic devices, baby milk powder and foodstuffs, etc., due to higher quality of Hong Kong's imported goods, and then they sell the goods at higher prices in the Mainland. Parallel-goods trading has resulted in inflation and even shortage of daily commodities in these towns, seriously affecting residents' daily life. The influx of mainland visitors has also worsened the living conditions in Hong Kong border towns.³⁰ However, without universal suffrage for the elections of chief executive and the Legislative Council, Hong Kong citizens express their voices only through indirect ways and no government officials are directly accountable to them on this issue. In this sense, with top-down policymaking, it is difficult to address all practical problems faced by grassroots citizens.

In sum, the main objective of the signing of the CEPA in 2003, initiated by the Hong Kong government and the central government, was to improve Hong Kong's economy. From the 1980s to the 1990s, Chinese local authorities welcomed Hong Kong's investment in their jurisdictions, but some localities in the Mainland were

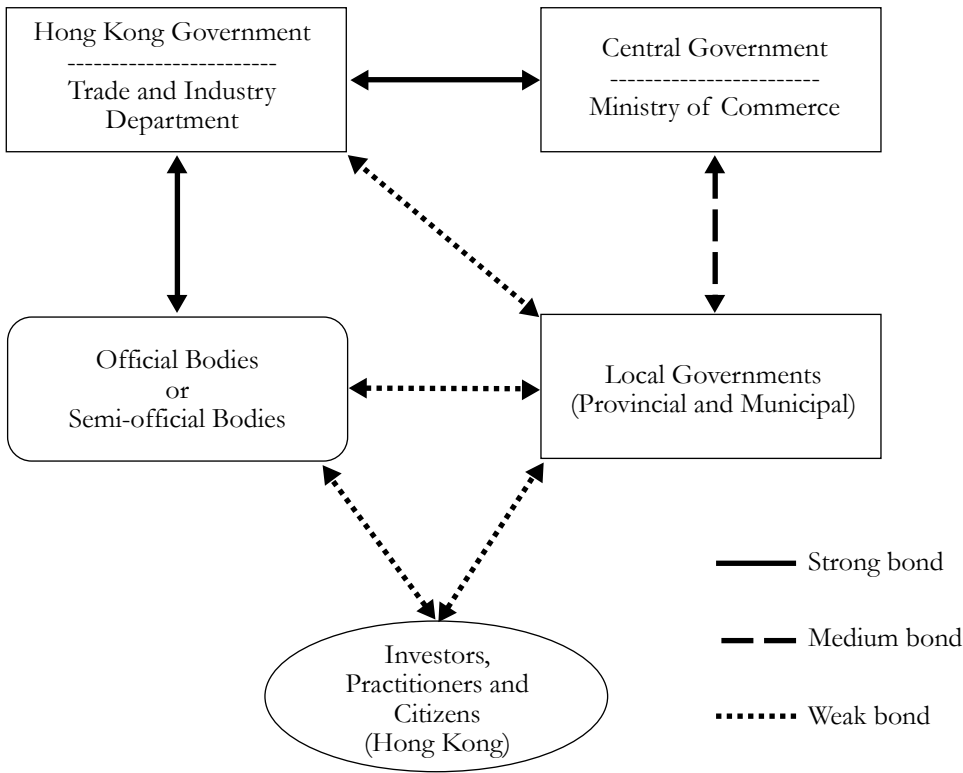
²⁸ There are 35 seats returned by the functional constituencies from the Legislative Council, and only business sectors or professional practitioners have the rights to elect or be elected in the constituencies. As for the Election Committee, its function is to select the chief executive and most of its members are from various business sectors.

²⁹ Chan Fung and Sun Biyang, "Digital Representation in an Electoral Campaign Influenced by Mainland China: The 2017 Hong Kong Chief Executive Election", *Issues and Studies* 55, no. 2 (2019): 1950005.

³⁰ "In Need of a Trade-Off amid Worsening Border Tensions", *South China Morning Post*, 6 March 2015, p. C2.

unenthusiastic about the CEPA implementation. The provision of preferential terms to Hong Kong’s sectors under the CEPA framework might constitute direct competition with the Chinese counterparts. In addition, policy formulation is executed at the upper level, meaning stakeholders on the front line have no direct link to the mainland authorities and voices of Hong Kong ordinary citizens are also ignored (Figure 1). This has thus affected the collaborative governance of CEPA implementation. Having said that, the CEPA has facilitated the recovery of the Hong Kong economy in the 2000s and has drawn part of Hong Kong’s business sectors to consider investing in the mainland market.

Figure 1. Network of the CEPA Implementation



THE GREATER BAY AREA—A NEW WAY OF IMPLEMENTING THE CEPA

In 2015, the Guangdong–Hong Kong–Macao Greater Bay Area was first mentioned in the “Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st Century Maritime Silk Road” document issued by the National Development and Reform Commission. The GBA was to deepen cooperation within the area and leverage

the unique roles of Hong Kong and Macao in the BRI.³¹ A year later, the GBA was also included in the 13th Five-Year Plan, in which CEPA was proposed to improve the implementation.³² In 2017, the governments of Guangdong, Hong Kong and Macao signed the “Framework Agreement on Deepening Guangdong–Hong Kong–Macao Cooperation in the Development of the Greater Bay Area” (hereafter GBA framework). The framework proposed the GBA as a key pillar for pursuing the BRI and promoted conditions conducive to the CEPA implementation.³³ The GBA now includes two special administrative regions and nine municipal cities, namely Hong Kong, Macao, Guangzhou, Dongguan, Foshan, Huizhou, Jiangmen, Shenzhen, Zhaoqing, Zhongshan and Zhuhai, and is presented as an upgrade of the economic integration in the Pearl River Delta. For example, more trade facilitation measures would be introduced specifically in the GBA under the “Agreement on Trade in Goods” (the CEPA supplementary document) signed in 2018. Under GBA framework, most if not all of the problems faced in the CEPA implementation have been addressed.

As mentioned earlier, the initial terms of the CEPA did not include a formal dispute resolution mechanism, and the Hong Kong and mainland authorities believed most of the problems could be negotiated and resolved through political means in the spirit of friendship and cooperation. However, given that the BRI policies were formulated to connect China with various countries in the world, CEPA, as a formal free trade agreement, would not be considered a good precedent set for other countries, if political means becomes a long-term practice of resolving disputes in the international arena. In addition, the GBA could play its role as a demonstration zone for the BRI, and improving CEPA’s mechanism could boost the confidence of countries joining the BRI. Under such a circumstance, more formal arrangements of the CEPA must be established under the GBA framework.

In June 2017, with the environment under the BRI conducive to regional integration, Hong Kong and the Mainland signed the “Investment Agreement” (the CEPA supplementary document). For the first time, the mechanism for settlement of investment disputes was formally established in the CEPA. Should a dispute arise due to a breach of rules by the mainland authorities, settlement could be achieved through these approaches: (i) amicable consultation between disputing parties; (ii) complaint

³¹ “Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st-Century Maritime Silk Road” Road (Tuidong gongjian Sichouzhilu jinjidai he 21 shiji haishang Sichouzhilu de yuanjing yu xingdong), The State Council, at <<https://www.yidaiyilu.gov.cn/wcm.files/upload/CMSydylgw/201702/201702070519013.pdf>> [15 February 2020].

³² “The 13th Five-Year Plan for Economic and Social Development of the People’s Republic of China”, Compilation and Translation Bureau, at <https://en.ndrc.gov.cn/newsrelease_8232/201612/P020191101481868235378.pdf> [1 May 2019].

³³ “Framework Agreement on Deepening Guangdong–Hong Kong–Macao Cooperation in the Development of the Greater Bay Area”, Greater Bay Area, at <https://www.bayarea.gov.hk/filemanager/en/share/pdf/Framework_Agreement.pdf> [1 May 2019].

handling organisations established for foreign investors;³⁴ (iii) coordination of the Committee on Investment established by the Investment Agreement; (iv) an administrative review;³⁵ (v) mediation from any recognised mediation institutions; and (vi) recourse to initiate judicial proceedings.³⁶ Should a dispute arise due to a breach by the Hong Kong side, the methods of dispute resolution are similar to those of the Mainland, except that there will not be any administrative review in Hong Kong. The Committee on Investment is considered the most important mechanism under the new agreement. Under the joint steering committee, the Committee on Investment has the rights to interpret the main text of the CEPA and other related documents, and thus it is able to take more active actions to resolve disputes related to the Agreement. However, any decision that the committee makes is still through consensus between Hong Kong and the mainland. Since the “Investment Agreement” was signed in 2017, more time will be needed to observe the effectiveness of the new dispute resolution mechanism in the CEPA. At least, the agreement has included a moderately robust mechanism that a formal free trade agreement should have.

The GBA framework has also included more measures to tackle the local protectionism issue. The most important measure is the introduction of “national treatment”, which first appeared in the “Agreement between the Mainland and Hong Kong on Achieving Basic Liberalization of Trade in Services in Guangdong” (the CEPA supplementary document, known as the “Guangdong Agreement”). Hong Kong investors or service providers in Guangdong would enjoy the same preferential terms as the Chinese people,³⁷ in terms of administrative review, mediation, judicial review or any other legal procedures. Theoretically, Hong Kong investors or service providers would not face entry problems under the Guangdong Agreement. In 2015, the term “national treatment” was expanded to refer to the whole of China under the “Agreement on Trade in Services” (the CEPA supplementary document).³⁸ Guangdong, or simply the GBA, has served as an experimental site for “national treatment”. In 2018, the mainland authority further expanded “national treatment” to Hong Kong’s ordinary citizens. Hong Kongers who have stayed in the Mainland for over six months are allowed to apply for China’s residence permit (the PRC identity card). Holders of China’s residence permit are entitled to employment, social insurance and public

³⁴ The “Interim Measures on the Handling of Complaints by Foreign-invested Enterprises” document is applicable in the Mainland.

³⁵ Under China’s legal system, any parties can apply for an administrative review if they consider their lawful interests have been infringed by an administrative organ. This is the procedure before the judicial review stage.

³⁶ “Investment Agreement”, Trade and Industry Department, at <https://www.tid.gov.hk/english/cepa/legaltext/files/cepa14_main_e.pdf> [1 May 2019].

³⁷ “Agreement between the Mainland and Hong Kong on Achieving Basic Liberalisation of Trade in Services in Guangdong”, Trade and Industry Department, at <https://www.tid.gov.hk/english/cepa/legaltext/files/sa18-12-2014_main_e.pdf> [1 May 2019].

³⁸ “Agreement on Trade in Services”, Trade and Industry Department, at <https://www.tid.gov.hk/english/cepa/legaltext/files/sa27-11-2015_main_e.pdf> [1 May 2019].

housing funding, similar to Mainland Chinese entitlements.³⁹ “National treatment” is hence an important measure in the development of the BRI. In the imminent future, more foreign corporations or individuals will engage in business activities in China, and thus granting “national treatments” to people from specific countries would probably become a trend. Hong Kong citizens, who are extended “national treatment” as stakeholders, are thus considered the experimental cases of this measure.

The GBA could play a role in alleviating local protectionism from the localities. Most local governments were not involved in the CEPA planning process, as the agreement was initiated by the central government and the Hong Kong government. Unlike CEPA, the GBA—a framework agreed by Guangdong province, Hong Kong and Macao with coordination from the National Development and Reform Commission—emphasises cooperation between the two special administrative regions and nine municipal cities. Various policy goals were set by the municipalities involved to foster the GBA development. The Leading Group of Building the Greater Bay Area, chaired by Han Zheng (standing member of the Politburo of the Communist Party of China [CPC]), was established in 2018 to oversee the implementation of different measures for the GBA development. As a yardstick of local officials’ performance assessment, more indicators related to the GBA would be introduced. Various measures would incentivise the local governments to further facilitate social and economic integration in the GBA.

It should be noted that policymaking in the GBA will still be based on a top-down approach and this is difficult to change, given China’s authoritarian regime that designs policies from the top. However, in Article 13 of the GBA framework, the PRC government deliberately proposes to broaden public participation. The objective of Article 13 is to involve the participation of various representatives and experts and to leverage the capabilities of organisations including commercial associations, think tanks, etc.⁴⁰ In addition, Hong Kong investors and service providers who are extended “national treatment” in the Mainland have more channels to voice their opinion in the current consultative system, such as through governmental chambers of commerce or political consultative conferences. As such, the availability of various open communication channels for CEPA stakeholders has enhanced the confidence of foreign investors from the BRI countries/regions to operate their businesses under China’s authoritarian regime.

The CEPA implementation adopting the top-down model has, on the other hand, aroused anti-China sentiments among the Hong Kong people, and the move to integrate Hong Kong into the GBA has worsened the situation. As argued by a

³⁹ “New ID Card will Give Hong Kong, Macau and Taiwan Residents Same Access to Public Services as Mainland Chinese Counterparts”, *South China Morning Post*, 16 August 2018, at <<https://www.scmp.com/news/hong-kong/politics/article/2159989/new-id-card-will-give-hong-kong-macau-and-taiwan-residents>> [1 May 2019].

⁴⁰ Greater Bay Area, “Framework Agreement on Deepening Guangdong–Hong Kong–Macao Cooperation in the Development of the Greater Bay Area”.

Hong Kong prodemocracy lawmaker, the GBA is “a push toward an unwanted union”.⁴¹ Hong Kong locals fear being integrated as part of the GBA, which is deemed to erode their original rights and freedoms. In order to achieve better collaborative governance, the Hong Kong government should have initiated more consultations and should provide channels for people to express their views since Hong Kong citizens are essential stakeholders in the CEPA implementation or in the GBA. Otherwise, anti-China sentiments in Hong Kong would undermine the image of the central government and further shake foreign investors’ confidence to do business in China.

CONCLUDING REMARKS: HONG KONG UNDER THE GREATER BAY AREA?

Before the 1997 handover, the Chinese authority maintained a subtle relationship with Hong Kong and attempted to prevent any political influence on it from affecting the stability in the Mainland. In the 1990s, the prodemocracy camp formed the largest party in Hong Kong—the Democratic Party, whose members were from the Hong Kong Alliance in Support of Patriotic Democratic Movements in China. Its aims were to “rehabilitate the 1989 prodemocracy movement” and to “end [the] one-party dictatorship (in China)”. The Democratic Party also won most of the universally elected seats in the Legislative Council elections before 1997. Had comprehensive integration between Hong Kong and Guangdong been implemented soon after the handover, Guangdong’s political and social conditions would inevitably be affected by Hong Kong. The Chinese authority would certainly be anxious about outside political forces that would shake up the CPC legitimacy in the Mainland.

Until 2003, Hong Kong experienced a severe economic downturn, which led to the signing of the CEPA with the central government. The Agreement was successful in boosting the popularity rating of the pro-Beijing forces in Hong Kong, and in attracting more investors and service providers to operate their businesses in the Mainland. As a result, CEPA has opened the door wider to economic integration and gradually undermined the prodemocracy forces in Hong Kong. With reference to the EU experience and other free trade agreements, economic cooperation has usually accompanied political integration. The GBA proposal may be the one of China’s strategies to blur the boundary between Hong Kong and the Mainland, providing Hong Kong people not only the opportunities to work in the Mainland, but also Chinese residency social status for those Hong Kong citizens.

In the 1980s, Hong Kong capitalists who invested in the Mainland could enjoy preferential treatments from local governments due to their economic superiority. Hong Kong localities placed Hong Kong-related issues as top priority and attempted to provide convenience to the Hong Kong people (*Gangshi Gangban*). Later, the CEPA was also initiated by the Hong Kong government and the central government to

⁴¹ “Beijing is Foisting a White Elephant on Hong Kong”, *Foreign Policy*, 14 September 2014, at <<https://foreignpolicy.com/2018/09/14/beijing-is-foisting-a-white-elephant-on-hong-kong/>> [1 July 2019].

provide preferential arrangements specifically to Hong Kong. However, in the policies formulated for the GBA, Hong Kong merely became one of the participating cities and has not been assigned any leading roles. In comparison to the past, the Hong Kong identity seems to be downgraded. According to a statement made by former Prime Minister of Singapore Lee Kuan Yew before 1997,⁴² Hong Kong would be an economic model to China but not a political one, and Beijing would not allow Hong Kong to be different from Guangdong 50 years after the handover. Hong Kong's future comprehensive integration with the Mainland might be inevitable, since the city was designed to showcase the experience of economic cooperation with China for the world. At least, better collaborative governance between Hong Kong and the Mainland, which establishes open communication channels for stakeholders from the state and society, and values diverse views of ordinary citizens, may reduce the unnecessary opposition during the process of integration.

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⁴² "Accurate Prediction 27 Years Ago! Former Prime Minister of Singapore Lee Kuan Yew: After 50 Years, You Think China will Allow Hong Kong to be Different from Guangdong?" (27 nianqian Shenyuyan qian Xinjiapo zongli Li Guangyao: 50 nianhou niyiwei Zhongguo huirang Xianggang youbieyu Guangdong ma?), *Business Today*, 2 July 2019, at <<https://www.businesstoday.com.tw/article/category/80392/post/201907020015/27%E5%B9%B4%E5%89%8D%E7%A5%9E%E9%A0%90%E8%A8%80%E5%BC%81%E5%89%8D%E6%96%B0%E5%8A%A0%E5%9D%A1%E7%B8%BD%E7%90%86%E6%9D%8E%E5%85%89%E8%80%80%E5%BC%9A50%E5%B9%B4%E5%BE%8C%E5%BC%8C%E4%BD%A0%E4%BB%A5%E7%82%BA%E4%B8%AD%E5%9C%8B%E6%9C%83%E8%AE%93%E9%A6%99%E6%B8%AF%E6%9C%89%E5%88%A5%E6%96%BC%E5%BB%A3%E6%9D%B1%E5%97%8E%E5%BC%9F>> [15 February 2020].