

**Hong Kong and the Pearl River
Delta: “One Country, Two Systems”
in the Emerging Metropolitan
Context**

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About the Author

Currently a professor and senior fellow with Stanford's Institute for International Studies, and a fellow of the Canadian Institute for Advanced Research, Dr. Rohlen was educated at Princeton University and the University of Pennsylvania (Ph.D.). He served in Japan with the U.S. Foreign Service from 1962 to 1965 and has taught at the University of California, the University of Hawaii, and at Harvard University. Trained as an anthropologist and Japan specialist, his past research has focused on Japanese corporate organization, the labor market, Japanese schooling, and, more broadly, on the relationship of cultural continuity to adaptation within contemporary institutions. He founded the Aspen Institute's Executive Program on Japan, the Stanford Japan Center, and the Kyoto Center for Japanese Studies. The author or co-author of nine books and numerous articles, his writings have received a number of prizes, including the Ohira Prize and the Berkeley Prize in Asian Studies. The American Anthropological Association presented him with its Edward J. Lehman Award for Public Service in 1991. His present research interest is the role of great coastal cities in the political and economic dynamics of East Asia today.

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The Pearl River Delta Area

Hong Kong and the Pearl River Delta: “One Country, Two Systems” in the Emerging Metropolitan Context

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Introduction

Now, more than at any point since 1949, Hong Kong’s economic future is tied to that of China. This commonplace observation must be coupled with the less obvious, but equally fundamental point that Hong Kong’s future with China is based largely on activities that arise in or pass through the Pearl River Delta. This region, however, is cut in half by a sovereign border and governed by a patchwork of political authorities.¹ The Delta as a whole is rich with opportunities, but it is increasingly apparent that these can be realized only if integration moves forward, both in a metropolitan and regional sense. This prospect is currently marked by serious uncertainties.

The essential question of how to proceed with regional integration—the pace, the strategy, the ongoing limits, and the political arrangements—has, as yet, no ready answer. Nor does the formula of “one country, two systems” offer much guidance. Hong Kong (the Special Administrative Region, or SAR), the Beijing authorities, the Guangdong Provincial Government, and the many local governments appear interested in working out the complex problems involved, but have barely begun to do so. How do these separate parties interpret the risks and opportunities involved? What opportunity costs do they face? Which interests argue for proactive integration and which for a cautious approach? What are the key political questions to be resolved on each side of the border? This paper seeks to underscore the import of these questions and to examine some possible answers.

Transborder arrangements are pivotal. Put simply, in geographical, cultural, economic, and environmental terms, the Delta is inherently a single space. At the same time, the border is also a significant barrier, which preserves a number of highly valued circumstances,

namely, 1) the political status quo, 2) major differences in factor price markets, and 3) Hong Kong's demographic stability. The border, in other words, preserves and stabilizes some important and potentially threatening differences, yet economic development is generating numerous forms of pressure for further opening and greater cross-border cooperation.

While careful calculations have yet to be made, it is apparent that a policy of maintaining the status quo carries a significant price tag in lost opportunities. These arise, for example, from a host of unrealized regional synergies, rising inefficiencies in transport systems, loss of comparative advantage to other Asian metropolitan regions, and from the remedial costs of ultimately having to correct for lack of coordinated planning.

The region has only begun to realize the potential represented by its dynamic set of economic complementarities. On the one hand, Hong Kong possesses wealth, international ties, highly skilled entrepreneurial resources, international technical and marketing expertise, and a thriving business service industry. China, on the other hand, boasts a labor force that is bright, young, and almost infinitely expandable. Given this combination, the outlook for ongoing growth in the Pearl River Delta is impressive. With the costs of land and labor on the Guangdong side a fraction of those in Hong Kong,² continued development—via the interaction of a first world business center with third world factors of production—is a certainty. Some technological upgrading is also underway, thereby enhancing the prospects for an evolution from labor-intensive manufacturing to higher value-added activities. Less clear is how Hong Kong might effectively bring cross-border market differences to bear on its own exceptionally high real estate and local labor costs. Equally interesting is the challenge to find cost-effective means for dealing with an aging population, by shifting some medical, housing, and other retirement costs across the border. Finally, one wonders whether the SAR's recent advance into high technology will necessitate a set of new regional arrangements in the areas of higher education, human resources, and IT infrastructure.

Guangdong, Beijing, and the SAR share major interests with respect to integration. However, the way in which each calculates what it stands to gain or lose from the process is significant and distinct. The many country and municipal governments that have some autonomous power to join or resist complicate the picture further.

Hong Kong has long prospered from the ambiguity of its relationship with China. In the early days of the colony, for example, its merchants simultaneously petitioned London and Beijing for special tariff treatment, arguing to the former that Hong Kong was not a part of China, and to the latter that it was a Chinese city. From the beginning, such skillful exploitation of the border has been integral to Hong Kong's identity and prosperity. Destined to face two ways, it must be both a key part of the Chinese economy, and an international city distinct from it in order to succeed. Reversion may have called this distinctiveness and separateness into question, but it is the integration of the Pearl River Delta that presents the immediate, and ultimately, the greater challenge. Potentially, the Pearl River Delta could match New York or Tokyo in global significance. Currently, however, the economic profile more closely resembles a rich city coupled with an offshore foreign domestic investment (FDI) situation—such as exists between, say, Taiwan and Fujien—than that of a great urban region.

How might Hong Kong proceed to change its relationship to the Pearl River Delta? No one denies its current place as the leading city of the region, and there is considerable, albeit quiet debate in the city itself as to how it will participate in the emerging metropolitan area, particularly how it can assume a leadership role. The author is not well informed about the attitudes in Beijing and among the various authorities in Guangdong on this question, but

one has to assume that a similar level of cautious interest exists in the face of such uncharted terrain. While careful advancement seems the most predictable course—defined largely by adhering strictly to the political status quo and the “one country, two systems” formula—real and mounting opportunity costs are involved.

Part I: Overview

A Survey of the Current Situation

(Readers familiar with the region may want to skip over the next two descriptive sections.)

Hong Kong is part of an emerging metropolitan region that appears comparable to New York, Tokyo, or Los Angeles in its geographic and demographic scale. In such circumstances, the lack of political and administrative integration poses an increasingly serious problem. To arrive at such a conclusion, one has only to combine the data from Hong Kong and Macau with those of the eight contiguous urban districts and municipalities³ that border the Delta area on the PRC side.

Table 1. Comparison of Metropolitan Regions

	Area (sq. km.)	Population (millions)	Area Population Density (per sq. km.)
Pearl River Delta "Core" ⁴	10,000	19.5	1,950
Tokyo Greater Metro ⁵	13,553	32	2,388
New York Greater Metro ⁶	3,585	18.7	5,216
Los Angeles Metro	16,600	10.5	632

By focusing on the urbanized core of the Pearl River Delta region, one finds that it ranks with the leading metropolitan regions of the world. It already has the population of metropolitan New York, in an area approximately the size of the Tokyo and Los Angeles regions. This core area, furthermore, is as densely settled as the Tokyo metropolitan region and far more populous than the greater Los Angeles area. The New York metropolitan area appears more densely settled, because its boundaries are drawn by convention, in a more circumscribed manner than those of its counterparts. Only in terms of gross regional product (GRP) does the Delta fall short of the world’s largest metropolitan areas. The Delta’s GRP in 1995 can be estimated as roughly US \$190 to \$200 billion,⁷ less than Chicago and more than the Boston or Philadelphia metropolitan regions, but much less than either Tokyo or New York.⁸ Given the region’s economic potential, though, its growth could outstrip these more developed regions in the future.

Were it not for the way urban data is reported, the Pearl River Delta would routinely be listed as one of the world’s and Asia’s leading megacities.⁹ Even without Hong Kong and Macau, two of Asia’s richest cities, the average per capita income of the Delta area is the

highest in China. The per capita income of its core area (including Hong Kong and Macau) is estimated to be roughly comparable to that of industrialized nations like Korea or Spain. Further, while Hong Kong, Macau, and Guangzhou are mature urban areas with low population growth rates, the rest of the core is experiencing high population growth. The annual economic growth rate of the PRC part of the Delta has been estimated at upwards of 16 percent during the 1980–1995 period. Even so, considerable agricultural space remains for further economic development. Given the fundamental laws of spatial economics, such circumstances are highly dynamic, attracting high levels of investment and in-migration, especially considering the size of the underutilized agricultural population of South China.

As a metropolitan region, the Pearl River Delta has a number of distinct qualities. Two cities, Hong Kong and Guangzhou, anchor it. There are cases where cities have grown together (e.g., Dallas–Ft. Worth, San Francisco–San Jose and Oakland, the Rhine–Ruhr area, Minneapolis–St. Paul), but most urban agglomerations have formed around a single city. Few metropolitan regions encompass two sides of an international border (e.g., San Diego–Tijuana, Detroit–Windsor), yet the “distances” involved must be measured in cultural, economic, and political terms. The Hong Kong–Guangzhou border marks almost no cultural distance, but a great political divide. As recently as 1979, the economic distance was also great, but it has diminished greatly in the last twenty years. The Delta area is also distinct because it embraces two kinds of urban landscapes. Hong Kong is a very densely populated and highly planned city, with tightly clustered skyscrapers, high-rise housing, world-class mass transit, and a green space that accounts for 80 percent of total land area. In Guangdong, by contrast, ever-expanding low-rise sprawl, road congestion, and environmental degradation illustrate the absence of a coherent land policy and infrastructure planning.

Since 1979, the area between Hong Kong and Guangzhou and around Macau has been rapidly filling with factories, dormitories, residential tracts, condominiums, shopping centers, and office buildings. The immediate border municipality of Shenzhen has mushroomed in population from fewer than a million people in 1980 to roughly five million today, including those people working there without permanent resident status. (For comparison’s sake, five million people is roughly equivalent to the current population of the seven-county San Francisco Bay area.)¹⁰ A smaller, similar development has arisen in the Zuhai area next to Macau. The core area is marked almost everywhere by massive new construction, the destruction of agricultural land, the leveling of hills and other natural forms, traffic congestion, dust, and skyrocketing demand for water, power, and public services. The entire area exudes a boom town quality that is both exhilarating and frightening to behold on such a scale. The Beijing correspondent for the *New Yorker* magazine summed it up when he visited the area in 1992: “Twenty and twenty-five story buildings that had impressed me four years ago have now been dwarfed by modern towers with as much as fifty stories.”¹¹ In the 1980s, there was no place in the world where economic change was as rapid as in the Delta.

Of central interest here is the area’s rapid economic integration. With China opened to investment and Shenzhen and Zhuhai created as Special Economic Zones, capital, manufacturing jobs, and various forms of know-how have moved massively across the border from Hong Kong. To be sure, funds from Taiwan, Japan, the United States, and elsewhere contributed to this development, but the overwhelming influence has been that of Hong Kong. Hong Kong entrepreneurs set up most of the factories and Hong Kong firms planned and developed much of the infrastructure to support such growth. In less than two decades, three quarters or more of the city’s manufacturing shifted across the border. Furthermore,

nearly all international capital and managerial skills were channeled through the city, and the business services and final processing operations essential to export-oriented manufacturing in the Delta remained there. Hong Kong institutions also recycled funds from Chinese state-owned enterprises back into the region as foreign investments. Finally, it has been the former colony's port facilities and air cargo capacity that have enabled the movement of goods abroad for the entire region. In short, an integrated and rapidly expanding economic region has emerged, in which both sides of the border have become economically interdependent to a significant degree. If Hong Kong's resources proved essential to the mainland's economic take-off, the mainland's abundant cheap labor, low real estate prices, and accommodating local governments were critical to Hong Kong's continued success, especially in small and medium-scale manufacturing. Instead of going "offshore" when faced with rising costs, Hong Kong entrepreneurs had only to cross the border. They could benefit from the city's business services and infrastructure while employing workers at a fifth to a tenth of the cost. These workers are Cantonese-speaking, as are their managers; this convenience underscores the larger point that 90 percent of Hong Kong's population originated in the Delta area. Such cultural proximity is perhaps the best explanation for Hong Kong's rapid advance across the border.

But Hong Kong is not the only urban center of consequence. Guangzhou, too, is a major regional location for government, education, distribution, heavy manufacturing, and retail activities. Many of its resources complement or supplement those of Hong Kong. In addition, while growth so far has focused on manufacturing for export, the prospects for producing for and servicing the expanding Chinese domestic market are obviously very attractive. In this regard, the Pearl River Delta already stands as the economic center of all South China, encompassing an area of five provinces and a population equivalent to that of Western Europe.

Economic growth has made the Delta into a *de facto* metropolitan complex, yet the border itself still presents a formidable barrier. A separate currency is used on each side. The flow of goods is increasingly fluid, but the movements of people are seriously constrained. Few institutional systems are shared, and no metropolitan regional governing bodies exist. Joint planning remains uncommon, cumbersome, and unreliable. Not unexpectedly, the laws are radically different, with government procedures and practices very much at odds. Standards and regulatory mechanisms are dissimilar. The two education systems are different, as are the levels of social services. The tax systems, property rights, planning processes, and a long list of other matters relevant to the development of an integrated metropolitan region all contrast starkly on each side of the border. Equally problematic is the fact that wages, land values, and the prices of business services are very far apart. In sum, the region clearly lacks both an institutional and a common market foundation for overall coordination and management. This is not surprising given the short history of economic interaction and the intense political differences involved. But as integration advances, the lack of a coherent, coordinated strategy only becomes more problematic, and the stakes grow.

A critical question before the leaders of the region—and especially those of Hong Kong—is how to facilitate development while more effectively managing this complicated situation. The "one country, two systems" formula respects Hong Kong's separate status and emphasizes the border's continued importance, but, as noted, offers no guidance at the regional level. The continuing reasons for this political arrangement are plain, but they are challenged by the practical realities of economic integration and metropolitan management arising from advancing growth. Trade-offs between economic and political perspectives

seem inevitable. Moreover, such negotiations involve more than just the complex of regional political players, since Beijing will play a central role in shaping whatever solution is instituted. Finally, on the political side, the evolution of the metropolitan region will almost certainly influence the course of democracy in Hong Kong, as well as the character of Beijing's authority in this critical part of China.

Part II: The Border

A Survey of the Present Circumstances

Probably the most accurate way to obtain an overview of the current border situation, and thus to define the challenges inherent in developing an integrated metropolitan area, is to review the many kinds of shared cross-border activities. These include flows of people, goods, and services; forms of interdependent relations; and other common problems, whether environmental or otherwise. What is integrated, what is moving toward integration, and what is not changing is best grasped by such a category-by-category breakdown.

Basic Resources

Water and power are critical to any metropolitan region, and it is common for such supplies to be managed on a large scale, often involving a very wide geography. The Delta area is no exception. Since 1965, Hong Kong has been unable to supply itself adequately with water, and has long depended on the PRC side for this most critical resource. A shared water supply was the first step toward the development of an integrated Pearl River Delta system. Interestingly, this occurred in the midst of the Vietnam War, when all other aspects of the border were closed and a Cold War atmosphere prevailed. Hong Kong's dependence on the PRC for water has only grown since that time. In 1965, 28 percent of the territory's water came from across the border. Today that number has grown to 83 percent.¹² Virtually all of Hong Kong's growth, therefore, has rested on a reliable supply of fresh water from the other side.

Another basic necessity is food. While figures for this resource are more difficult to obtain, it is evident that Hong Kong's needs are largely supplied from the Guangdong side, particularly from truck farming in the Pearl River Delta. The recent concern with diseased chickens illustrated clearly how much the city relies upon the other side for almost all of its daily food needs.

With respect to electric power supply, the situation is similar. Presently about a quarter of Hong Kong's energy comes from Guangdong¹³ and numerous joint power development projects are under construction or being planned. Hong Kong's future needs are thus dependent on a regional approach, and power presents the most nearly perfect opportunity for cross-border cooperation as exists at present. With demand for power rapidly expanding throughout the metropolitan area, both sides need each other. For its part, Hong Kong has no room to build further capacity. All infrastructure project costs are prohibitively high and new public works inevitably involve lengthy public hearings and the likelihood of vigorous opposition on environmental grounds. Further, as is true of most developed metropolitan areas, power must now be developed some distance from where it is consumed. Guangdong is therefore a natural choice, since it needs the financing and

technical assistance that Hong Kong can deliver, just as Hong Kong seeks power development away from its crowded and politicized jurisdiction. These complementary requirements have led to a pattern of regular consultation and cooperation, the evidence of which is found in a significant flow of new power projects.¹⁴

Infrastructure

The systems for moving people and goods tie the Delta economy together. Roads, harbor facilities, rail systems, and airports are all involved, and each element tells a somewhat different story. It is important to note first that no single governmental entity has sole control of any of these matters. Accordingly, while regional transport systems will naturally encounter differing jurisdictions, the Delta is unusual in the range of jurisdictional contexts and levels of governmental expertise it embraces. Of course, localities are inclined to compete to maximize their own advantages when it comes to planning new regional developments. This means that the lack of a regional transport authority is a serious problem for the growing Delta area. Private investment, furthermore, provides an additional complicating factor, since it plays a vital role in road construction.

Each year, Hong Kong ranks as the world's number one or number two container port. It handled 14.5 million containers in 1997—over 25 percent of total global traffic. Four hundred vessels a week call on Hong Kong. Food for six million people must also be brought into the city daily. Moreover, the port is the shipping hub for the world's largest consumer products manufacturing location: according to port officials, it handles 90 percent of all of South China's exports. Just as most of the city's manufacturing has moved across the border and must be supplied with materials, most of the cargo destined for export shifts back to Hong Kong. The volume of goods that flows through the Delta's waterways and along its roads is staggeringly large.

Until recently, Hong Kong possessed the only deep-water, modern container facilities in the region. All outbound cargo from up-Delta areas had to be brought down in shallow draft lighters for transshipment. The upper Delta and its Western side have serious silting problems that inherently limit their long-term prospects for replacing Hong Kong as the key hub in the transport system. However, as economic development has proceeded on the PRC side, Hong Kong companies have created several container ports in Shenzhen (e.g., Hutchison's Yantian container port).

If silting is a major problem for much of the Guangdong side, Hong Kong's greatest difficulties stem from road congestion to and from harbor areas. There are long delays for truckers at the border, and truck congestion clogs Shenzhen's main thoroughfares. The present system, due to lack of planning, is at overload. As manufacturing moves further inland, a significantly enhanced road and rail system is needed. Much of the planning for these critical projects has already been done in Hong Kong and on the PRC side, but jurisdictional squabbles and environmental criticisms have greatly slowed the approval processes. Still awaiting final approval, for example, are bridge, tunnel, and road links between Juhai and Shenzhen to Hong Kong's container terminals, as well as a rail line with container transfer yard north of the border area and away from Shenzhen's congestion. Shenzhen, Zhuhai, and Hong Kong have each supported different plans, hampering the process, while environmentalists have pushed the rail plan and opposed the road plan.¹⁵

Such disagreements are probably inevitable in the absence of a centralized transport authority, but the Delta's high rate of economic growth makes delay a very costly matter.

Officials directly involved in transport and port facilities explained in interviews that Hong Kong cannot solve its port expansion problems without a common and far-reaching regional transportation plan. Here, as elsewhere, future competitiveness depends on developing an institutional capacity to solve problems on a metropolitan basis. In sum, stronger area-wide planning mechanisms are desperately needed.

With respect to road traffic, Hong Kong's road system is highly developed and efficient when compared to that of Guangdong, where traffic densities are growing rapidly from a low base. For Hong Kong, new road development will almost inevitably involve much land reclamation and causeway construction, both costly and strongly opposed by environmentalists. Over the long term, Hong Kong planners plainly seek to limit auto traffic into the city's central areas, thereby reducing congestion altogether. For Guangdong, by contrast, lower densities and little mass transit predict a potentially dramatic rise in auto and truck use as per capita incomes continue to increase. In the not-too-distant future, the PRC side could face a level of personal auto ownership that will make road traffic a nightmare. The toll-road developments of Hopewell, New World, and Cheung Kong have anticipated some of this near term traffic growth, but these privately built tollways do not mesh well with the mass transit-oriented Hong Kong system. For these enterprises to provide adequate returns, an overloading of Hong Kong's roads will likely be required. The narrow access lanes to Hong Kong, and especially to its port facilities, are already a critical problem, and in the future, many more PRC-side locations will likely become problematic. It is very much in Hong Kong's interest that such prospects be addressed effectively. Hong Kong money—in the form of private infrastructure investment—may be important, but rates of return will have to improve.¹⁶ In the long term, the prospects for keeping up with the region's rate of vehicle growth are truly daunting.

Buses and trains are the main focus of planning in public transit. These two carriers currently support most of the cross-border movement of people, but various bottlenecks and limitations—such as traffic congestion, immigration check point delays, and conflicting jurisdictions—are likely to remain problematic. During interviews conducted for this paper in Hong Kong, there was no discussion of light rail or subways being planned for the area, but both would naturally be on a future agenda. The fact that about 1.5 million workers presently reside in dormitories very near the Special Economic Zones in which they work is one reason traffic is not yet unmanageable, but this pattern may not prevail much longer. The development of a private housing market, though desirable from an economic perspective, will also help to usher in more commuting. Whether public transport or private auto is the ultimate centerpiece of the Delta's transportation program, the region's difficulties with this issue will almost certainly expand at a rate greater than that of economic growth.

Given the growth of passenger and air cargo traffic that Hong Kong experiences, the city's new airport—completed in 1998—was long overdue. Suddenly, the situation went from unplanned famine to unplanned feast, and the Delta now has five commercial airports, three of them international. The current overbuilt situation is proving difficult for the lesser airports, however, and stands as an illustration of the need for overall metropolitan area coordination. The current planning vacuum not only slows down needed improvements, but also encourages the overblown ambitions of local authorities.

Telecommunications

In the information age, few elements are more central to the efficiency and development of a metropolitan region than adequate telecommunications infrastructure and a competitive

market. Even so, the spread of advanced telecommunications systems in the Delta is neither as integrated nor as advanced as in comparable metropolitan areas. China has not yet opened its market and charges high rates on international calls. Until recently, Hong Kong sponsored a telephone monopoly that also charged relatively high rates. Privatization and the opening of the Hong Kong market has reduced costs, but the border between the two telecom systems preserves high rates and inhibits adequate investment. Through the China Investment Trust Institute Corporation (CITIC), China owns about 20 percent of Hong Kong Telecom, while the Shanghai Long Distance Telephone Company has invested in World Telephone Limited, a new entrant to the Hong Kong market. These connections may someday play a central role in further cross-border developments, but probably not in the near future.

It is notable that the cross-border telecommunications situation is far better than one would conclude from a simple review of China's national policies and telecom investments to date. Currently, two high-speed fiber optic cables from Guangzhou and Shenzhen to Hong Kong carry a heavy load of the overall international traffic between China and the rest of the world, including Taiwan. In 1995 alone, Hong Kong handled 60 percent of China's outbound traffic. The surprisingly dense access environment on the China side of the Pearl River Delta explains this high volume. With only 5.5 percent of China's population, Guangdong has almost a third of the country's total phone lines. If one assumes that about three-quarters of these lines are located in urban areas, the Delta area emerges as far more advanced than any other part of China. The concentration of phones per capita in the urban parts of the province also far exceeds the national average—by an order of at least twenty times. Further improvements are being discussed to support the growth of high tech and/or financial services on the Guangdong side—such as back office processing or software engineering—suggesting that the current situation is not as limited as one might presume.¹⁷

Business

Alec Tsai, president of the Hong Kong Stock Exchange and an advocate of more rapid engagement and integration with the entire Delta area, remarked that “In business, everything moves to where it works most efficiently.”¹⁸ His observation touches the essential dynamic driving the economic integration of the Delta area. As of June 1997, investments of US \$51 billion had been made in Guangdong, 65 percent of which were based in manufacturing. Hong Kong investors and businesses have interests in approximately 70,000 firms in the province¹⁹ in which an estimated five million people work. Hong Kong's factories may have surged across the border, but their management remained largely in Hong Kong, where the higher value-added processes and overall control of operations are maintained. The structure of these companies is thus regional, making them similar to companies in other metropolitan areas with spatially organized, complementary inputs. These companies' very survival now rests on the continuing rationalization of this regional space in terms of wage costs, productivity gains, transport efficiencies, and higher value-added innovations.

Businesses other than labor-intensive manufacturers are also advancing across the border. The prospects for integration become truly mind-boggling when one considers Hong Kong's strengths in hotels, distribution and retailing, media, real estate, business services, product design, fashion, marketing, and other service sector activities. By the end of 1995, Hong Kong's cumulative investment in the Guangdong service sector had grown to US \$13.1 billion, a third of Hong Kong's total investment in the region.

Exchanging the Chinese currency may be illegal, but RMB is regularly converted to Hong Kong dollars. Merchants on both sides of the border gladly accept the other currency. Guangdong residents can open brokerage accounts in Hong Kong and manage a portfolio of foreign securities via the Internet. In other words, the first stages of currency liberalization have already occurred in the Delta, due to the extensive integration in business and the cross-border movement of people.

Clearly, then, greater business integration across the range of economic activities is becoming a reality. Indeed, Michael Enright, a leading academic authority on Hong Kong's business future, predicted that "the next step in Guangdong's economic evolution will be the manufacture of capital goods following what happened in Japan, Korea, and Taiwan." Hong Kong, he asserted, would be "the source of high-quality international equipment for such business development." It would also play a variety of other roles with respect to such business development, particularly the opportunities that a growing consumer market built on such employment would present.²⁰

Cosmopolitan Hong Kong has long profited from service sector intermediation activities, especially of an international kind. The city has traditionally served as a central link between China and the rest of the world, specializing, for example, in recycling trade surplus money in the East Asian region. Much of China's FDI has come via the former colony, and Hong Kong financial interests also look to capture the lion's share of a growing Chinese capital outflow. In this regard, it is notable that Alec Tsai believes that his exchange should naturally absorb the Shenzhen Stock Exchange in the future. As he observed, "China has more and more investors chasing lower quality choices. The Hong Kong Exchange is a natural attraction for PRC investors in the future. We also aim to be a regional debt market with China listing its debt here."²¹ To be sure, Hong Kong business will certainly benefit as the city becomes a channel for knowledge and experience to China, on subjects as diverse as environmental technologies, accounting, learning systems, e-commerce, and urban management.

The city is already a major East Asian base for international consultancies. Undoubtedly, some of these new service jobs will move across the border to Guangdong. For a long time to come, however, foreign professionals will likely continue to prefer living in Hong Kong, given its far superior amenities. For example, the city boasts forty-four international schools. Another great asset, the dual language education system, supports a near-monopoly on many forms of international mediation. Yet despite its current complexity, one can imagine an even more complicated pattern of work and residential differentiation over the metropolitan area, especially as service sector businesses become regional. Luxury housing developments built around golf courses are already being planned on the Guangdong side, with the expectation that—Hong Kong's myriad attractions notwithstanding—foreign engineers will soon migrate to high tech parks there.

Media

Hong Kong TV and radio programming is available throughout the area. Once jammed by the Chinese government, TV viewers in Guangzhou can now watch not only all the Hong Kong stations, but also CNN, NHK, and STAR TV. On both sides of the border, one finds the same hit lists of pop music stars and the same followings for TV shows. Studies indicate that PRC residents prefer Hong Kong broadcasts (both radio and TV) over official Chinese programming by about three to one.²² On the PRC side, TV stations can block ads on Hong

Kong TV and insert their own at no cost, a form of pirating, but one that underscores the power of Hong Kong-based entertainment. At some point, one can expect that Hong Kong stations will try to unify the entire area through joint ventures, or acquisitions with providers on the PRC side. The same logic will eventually lead to a common advertising market on both sides of the border. Finally, if these elements of cross-border opening continue to be encouraging, even Hong Kong's depressed movie industry might eventually move its production across the border as a cost-saving measure.

People

Turning to the most ambiguous of cross-border flows, it should be noted that in other great metropolitan areas, people move over the spatial map quite freely, in very large numbers—commuting, visiting, shopping, seeking work, changing residence, and so forth on a daily basis. The number of daily trips in and out of the core areas of New York or Tokyo, for example, is on the order of many millions, utilizing a range of modes of transport. By comparison, the current level of roughly 90,000 people crossing into Hong Kong to work or visit each day, and the roughly 100,000 border crossings in the other direction can seem minuscule. These numbers have been expanding at relatively high rates, however, with the total land travel of Hong Kong residents to the PRC up 15.4 percent between 1998 and 1999. To give some sense of the growth of land travel in the past twenty years, in 1980 about 10,000 Hong Kong residents crossed the border each day, primarily to visit relatives. From the other direction, fewer than one hundred people per day were entering Hong Kong.²³ Today, while the pace of movement has expanded greatly and diversified in the process, it is hardly a free flow. The potential for much greater levels of border-crossing is certainly evident, especially as the advantages of the Guangdong side become more compelling to Hong Kong consumers of retailing and personal services.

To all but well-documented relatives of residents, the Hong Kong border is essentially closed to permanent in-migration. Each day about seventy people, mostly children, are processed at the border as legal immigrants with permanent status. This figure may seem small, but then, so is Hong Kong. The PRC cooperates in keeping this number low by limiting immigration from its side to 50,000 people per year.²⁴ On the question of in-migration, Hong Kong will likely resist vigorously any suggestion that the economic reality of a Pearl River Delta metropolitan area argues for the lifting of these very tight restrictions. Like Singapore—but unlike other great cities—Hong Kong's leaders see an essential interest in avoiding the many different kinds of public costs associated with unlimited access to the city.

From a city-state perspective, these limitations make sense. From a greater China perspective, however, they seem ethically questionable. As the Delta integrates, there are certain to be many more cross-border marriages, and the old claims of kinship will also become more actively advanced. No major cultural barrier prohibits cross-border relationships, and given their ever-increasing numbers, the present restrictive posture will come increasingly under attack. As more efforts are made to accommodate the growing visitor and business traffic that already overwhelms the border checkpoints, limitations on the movements of the region's residents will become even more impractical.

Rather than allowing low skill/low pay mainland Chinese workers to enter Hong Kong in great numbers, the work has moved across the border. (This has also occurred in North America, notably in Texas, where U.S. factories have moved to the Mexican side of

the border.) As the work has moved, so too have some Hong Kong managers, most of whom live on the mainland side during the week, and return to their Hong Kong homes on weekends. Stories of managers with two wives, one on each side of the border, are not uncommon. By contrast, most of the young factory workers in the Special Economic Zones like Shenzhen come from outside the Delta to complete one-year contracts. They are young, unmarried, and dependent on their employers for room, board, and even transportation.

The Delta is thus divided into at least three distinct labor markets—one in Hong Kong, another in Guangzhou and older industrial areas, and a third, noted above, located in Shenzhen, Zuhai, and the other Special Economic Zones (formerly rural counties), on which export manufacturing FDI has centered. The tight border prevents Hong Kong wage levels from falling, while the labor contract system ensures that wages do not rise too rapidly in the Special Economic Zones. Naturally, the evolution toward a single integrated Delta economy creates pressure to integrate these three markets over time, but entrepreneurial interest is currently focused almost entirely on exploiting the differences in costs between the two sides of the border. On the one hand, a major reason that Hong Kong authorities are cautious about opening the border further is precisely the effect that such a move could have on the city's wage levels. Acknowledging that, without the downward pressure of neighboring labor markets, they point out that wages in Hong Kong would be even higher. The cross-border investment has created a tightrope walk for these officials, who would like wages to be stable, or slowly rising, but fear a wage collapse if the border remains restrictive. In this regard, it is interesting that there are plans under discussion to create special manufacturing zones on the immediate Hong Kong side of the border, where day workers would be bused in from the PRC side. This would change matters very little in the long term, but it is a reflection of the pressures both to control and yet more actively manage the borders as far as labor is concerned.

Increasing flows of consumers are traveling to the Guangdong side for bargains of many kinds. Drove of Hong Kong shoppers crowd Shenzhen stores on weekends. Tourism is also expanding. Hong Kong golfers also cross the border in large numbers on weekends, to play at the fifty-odd courses, designed and built for foreign enthusiasts, that are scattered around the Delta.²⁵ In the reverse direction—and notably, during the recent financial crisis, when visits by other Asians to Hong Kong declined steeply—tourists from the PRC became the most numerous and important source of visitors to the city. As these trends continue, the public pressure to accommodate increased traffic, by keeping the Lo Min checkpoint open twenty-four hours a day, continues to grow.

Interestingly, movement across the border for residential purposes is, as yet, almost nonexistent. As mentioned above, there are Hong Kong managers who live much of the time near their factories on the mainland side, but they are exceptional. Given the extraordinary price differentials for land on the two sides of the border, this situation is quite remarkable. Nevertheless, real estate—like wage differentials on the two sides of the border—is segmented into distinct markets. In this instance, the Hong Kong government is not keeping its residents from buying land on and/or moving to the mainland side. Nor do local authorities on the PRC side oppose real estate investment from Hong Kong. Rather, local governments in Guangdong have been actively converting public land into investment vehicles of many kinds, including residential development. Those Hong Kong investors who are involved in the housing market on the Guangdong side, therefore, participate more as speculators than as owner-occupiers. For this latter group, the critical barriers to movement from Hong Kong to the PRC are not so much public policies as differences in living conditions, including the

quality of public and private services, standards of living, general amenities, and security of ownership. The major gap between Hong Kong and Guangdong in the quality of their respective education, medical services, retirement benefits, and public security systems further inhibits cross-border change of residence. Separation from family members is another consideration for retirees who might otherwise be tempted to shift residence to the far less costly PRC side. Overall, while they may invest in land and housing in Guangdong, Hong Kong citizens are not ready to move there.

Even as the limitations noted above continue to prevail, a metropolitan area-wide housing market is in its earliest stages of development. Here again, circumstances dictate a policy of cautious balance. Clearly, Hong Kong will benefit by encouraging the slow development of a regional market, which will in turn help to moderate prices of the city's private housing, already among the highest in the world, and estimated to be out of reach of approximately half its residents. City leadership also chronically fears that the sky-high real estate prices will undercut Hong Kong's international competitiveness. At the same time, nervousness arises in some quarters over how Hong Kong's real estate market might be adversely affected if Guangdong began to be a serious residential option. It is generally estimated that 40 percent of bank loans in Hong Kong are real estate-related, and that the value of many leading companies is heavily real estate dependent. Certainly, a very rapid shift might undercut the speculative pressure that supports Hong Kong real estate. The differences in living standards between the "two systems"—maintained largely by Hong Kong's tight border approach—comprise the fundamental mechanism currently protecting the high market valuation of the city's real estate. In the future, the government has the option of adjusting its cross-border policies to ameliorate the situation. A gradual accommodation to regional integration stands out as the implied preferred course, if managing the stability of high land and labor costs is the former colony's concern.

Technology and Education

Any discussion of the future structure of the Hong Kong–Guangdong region's economy must address the prospects and location of high technology, a set of industries that are largely absent from the Delta economy at present. The Hong Kong government has recently committed to building a platform for high-tech industry in the city. This controversial decision owes much to competing visions for industrial leadership of the Delta as a whole. Some business people and economic strategy experts argue that the city would be wiser to encourage the development of such industries on the PRC side, where there is an almost unlimited future supply of low-cost engineers and technicians, as well as inexpensive, available land. Joined to this argument is the observation that Hong Kong has never been innovative in or even oriented to advanced technologies. Its major investors are unaccustomed to the kind of venture capital calculations that technological initiatives require, and its population—while highly educated—has typically focused on financial services, real estate, and other very different kinds of business skills.²⁶ Nevertheless, a desire not to be left behind technologically, combined with a fear, perhaps real, that the momentum of Guangdong economic development could eventually supersede that of Hong Kong, has impelled the city to invest in a Hong Kong-based high-tech initiative. If Hong Kong succeeds in this undertaking, it will likely provide yet another reason to pursue regional integration: the economics will make the Delta area as a whole the most efficient locale in which to pursue cost

advantages and to manage the demands for skilled human resources. This key decision—Hong Kong’s choice to seek a leadership position rather than simply to invest in China-based developments—appears set to increase economic pressure to cultivate a regional approach.

Education is also tightly bound up in this high tech development scenario. What kind of division of labor in education makes sense for the future? Is it possible to have a human resources strategy that considers the differing labor markets and divisions of labor inherent in the present regional economy? Given the currently low level of labor mobility, it is not surprising that little planning has been done for future regional needs, nor little attention paid to any kind of educational division of labor for the Delta. Interestingly, lack of planning, and not money, is the obstacle here. At present, about one quarter of the graduates of the Hong Kong University of Science and Technology are mainlanders, but generally they must return to the PRC after receiving their degrees. Some leading Hong Kong tycoons have donated significant sums to universities in Guangdong, for example, but these gifts appear unconnected to any larger plan or vision. The Secretary of Hong Kong’s Education Department confirmed this absence of plan, noting that, “It is ironic that we don’t do more with Guangdong universities as a public matter, given the large amount of private Hong Kong (HK) donations to universities in China, yet our first priority is our own workforce.” In other words, despite the massive shift of manufacturing jobs away from the city, and the debates about the future of high tech in the region, education remains essentially a local matter, and no cross-border discussions seem to have occurred. Hong Kong plans to create a privately funded, self-sufficient “Open University” that could become a significant cross-border institution utilizing distance learning technologies. Despite this development, it is evident that, in the area of education, there is little regionally oriented thinking.

Environmental Problems

As cities achieve relatively high levels of per capita income, they commonly begin to make serious inroads in solving their environmental problems. Hong Kong has clearly reached this stage, and is devoting massive resources to its air and water problems. By contrast, rapid economic development on the other side of the border is pushing the urbanized parts of Guangdong into a state of increasing environmental degradation. The border does not isolate these two contradictory trends. From Hong Kong’s perspective, the Delta area is a single environmental space in terms of air and water issues. Half of Hong Kong’s winter air pollution, for example, comes from across the border. Especially bad is the buildup rate of suspended particles, which raise tremendous amounts of dust, and are largely derived from construction activities in Guangdong. Serious run-off of pesticides and fertilizers from the PRC side also enter Hong Kong harbor, resulting in high nitrogen levels that affect marine life and fish populations. Furthermore, Hong Kong has a very expensive sewage disposal system in the planning stages, which will connect all residential areas of the city to a new treatment plant and disposal system, and deliver its own treated sewage far out to sea. In stark contrast, Juhai sends its raw sewage directly into the Delta’s waters. Nearly everywhere on the PRC side, unregulated growth exceeds sewage treatment capacities, and this situation, if unchecked, could significantly reduce the positive impact of Hong Kong’s future massive investment in its own planned facilities. On another front, while Hong Kong’s own reforestation programs have done very well over the last century, with 80 percent of the land now protected, no similar progress or programs characterize the PRC side, where rapid un-

planned development has been and remains the rule. Satellite photos reveal hundreds of locations where hills are being leveled for future construction purposes. Roughly half of the former agricultural land near the border has been cleared, but not yet built upon. The effect is a stunning portrait of poor environmental planning, in which run-off problems and loss of potential green resources are already all-too-apparent.

To illustrate further the appropriateness of region-wide solutions, the relationship between Delta infrastructure developments and efforts on behalf of the environment is worth noting. One example concerns the plan to create a regional power grid, in which Guangdong would convert some of its energy generation from coal to gas. The conversion would improve the regional air quality, but only with Hong Kong participation will the project's funding be assured. To help it with its solid waste problems, Hong Kong could build adequate incineration capacity into the plan. The city currently generates twice the solid waste per capita of London and has nearly exhausted its landfill space. Finally, there is the expectation that Guangdong may allow Hong Kong to store its low-level nuclear waste across the border, where a suitable location free of public opposition could be found. In sum, the environmental situation in the Delta provides strong evidence that an integrated, regional approach is both necessary and collectively advantageous.

Criminal Activities

In contrast to the foregoing arguments, no topic offers greater evidence that a tight border is in Hong Kong's interest than the interrelated matters of smuggling, crime, and corruption. The Delta's geography has long made it an ideal location for smuggling. It was a highly organized smuggling operation that brought opium in massive amounts from British India into China in the 19th century, and the Delta is generally regarded as the country's single most active and corrupt location for international traffic of this kind. A wide array of consumer goods—some stolen in Hong Kong—are illegally passed into China by well-organized, and generally heavily armed groups using advanced maritime technologies. The area is ripe for this sort of illicit trade, as consumers on the PRC side become increasingly prosperous and Chinese tariffs aimed at imports of consumer goods remain high. Some illegal movement of Chinese migrants from the mainland also occurs through Hong Kong, to foreign destinations. One hears less about drug-running in the Delta, but this situation could also potentially be serious. The actual passage of smuggled goods has little direct impact on Hong Kong—except when the illegal drugs are Hong Kong-bound—but the related crime and corruption are significant.²⁷ Indeed, business ties with smugglers are a different matter: smuggling requires investment, money laundering, and international connections, some of which are Hong Kong-based.

On the Guangdong side, the situation is far more serious, as the flow of illegal goods is large and the loss of government revenue considerable. Consistent with the longstanding practices of the area, officials have been regularly paid off to look the other way. There is also evidence of police participation in some smuggling activities.²⁸ Official corruption has thus been a major by-product of the border situation, though it is hardly limited to smuggling. Official dealings of many kinds, having to do with permits, inspections, and regulations, are routinely taken as opportunities for influence peddling and bribery. Bribery in particular is generally assumed to be a normal part of dealing with nearly all levels of government, especially where matters of economic development are concerned. Of course, a

topic of this sort is impossible to document precisely, but both Beijing and Hong Kong officials frequently mention this as a critical Pearl River Delta problem.

To the higher civil service in Hong Kong, the threat of increased corruption coming across the border is palpable. The fact that nine in ten Hong Kong residents are Guangdong migrants implies that they, too, are susceptible to a style of business that inherently involves bribery, favoritism, and blurred lines between public office and personal interest. “The Chinese way is to focus on relationships more than laws,” noted one senior civil servant.²⁹ “We are Chinese and I worry that the attitudes of Hong Kong people could shift in the direction of less concern with the rule of law,” said another, adding that while the official line is that the Chinese side is making progress in controlling corruption, the facts do not support such an interpretation.³⁰ Perhaps the most common theme in the interviews with senior officials conducted for this paper was the need to defend Hong Kong’s rule of law by diligently keeping out corruption. In this regard, a tight border makes good sense.

Both sides of the border have their share of crimes, of course, but the impression is that higher levels of crime and lower levels of effective policing prevail on the Guangdong side. In discussions with Hong Kong officials, it was common to be reminded of the hijackings, highway murders, kidnappings, extortion, robberies, and the like that criminals from the other side have perpetrated on Hong Kong residents. It is believed that the wealthy of Hong Kong are particular targets for criminals. Logically, this is likely to be true, and the fact that per capita income in Hong Kong stands at roughly ten times that in Guangdong fuels such an enclave mentality.

In the area of general crime, cross-border activities are also on the rise, as would be expected when great disparities of wealth and a compromised Guangdong justice system combine. Kidnap rings and gang activities of various kinds, for example, involve both sides. What is especially interesting is how criminals have learned to use the border to try to escape capture and prosecution, by shifting from one side to the other. This ploy is enhanced by differences in the penal codes. For Guangdong criminals escaping to Hong Kong, criminal penalties are less severe, and extradition is problematic. Since the death penalty is common on the PRC side for many crimes, making Hong Kong reluctant to return suspects in serious crimes to the PRC for trial.

As with other aspects of a shared metropolitan space, criminal activities have achieved a Delta-wide breadth, and police and courts on both sides are now clarifying procedures that will enable them to cooperate, and face this increasingly serious challenge. The sharing of police information is now a common practice. Both the Hong Kong police and courts maintain regular contact with their counterparts on the other side. In several recent cases, they have evidently cooperated closely in apprehending criminals, even to the point of deciding which side of the border to make arrests. The border is being used creatively by both the police and their adversaries.

In summary, a very mixed picture of cross-border activities emerges. Many private business activities are advancing rapidly due to economic opportunities, family ties, a common cultural heritage, and a shared language, but many others remain restricted or dormant. However remarkable the scale and rate of advance of this single metropolitan area, these huge strides seem less surprising when one recalls that the closed border essentially suppressed regional economic development from 1949 to 1979. The end of the Cold War and the creation of the Shenzhen Special Economic Zone unleashed a tidal wave of pent-up entrepreneurial possibilities. Such explosive growth, furthermore, has given rise to mounting

pressures to solve large-scale problems—particularly in the areas of infrastructure, general planning, and the environment—in a region-wide manner.

As the region tackles these issues, the key role of Hong Kong as provider of the necessary capital, technical know-how, urban planning experience,³¹ regulatory and other standards, and international clout cannot be underestimated. Without Hong Kong taking the lead in supplying these ingredients, the Delta region's ultimate coherence and strength will certainly be greatly compromised.

The Political Dimensions

In the early 1980s, Premier Deng introduced the “one country, two systems” formula, with primary reference to reunification with Taiwan. Only some years later did it come to be applied to the reversion of Hong Kong, and it was not designed for the specifics of the city's relationship to the Pearl River Delta. At the time, it was unclear that the economic integration of the Delta would advance so rapidly or establish so intensely local a relationship between Hong Kong and China. Patently the formula of “one country, two systems” is useful primarily because its appealing vagueness leaves the difficult details to be worked out later.

The Basic Law established to govern the Hong Kong SAR's relationship (and now, that of Macau SAR as well) with the PRC sets forth a specific consultative framework. The PRC's Ministry of Foreign Affairs maintains an office and official presence in Hong Kong for general consultative purposes and Hong Kong, in turn, has a representative office in Beijing. The central government in Beijing handles Hong Kong and Macau affairs through a set of specially designated agencies of the State Council. Although direct official relations with provinces are forbidden, several consultative committees and one coordinating committee have been established between the Hong Kong and the Guangdong government. Many quasi-governmental relationships also exist in the economic sphere, as provinces have set up trading companies in Hong Kong to pursue their own interests, and various state corporations and economic organs (such as the Bank of China and CITIC) have also opened in the city.

Direct government dealings across the border have been slow to develop, since they are neither defined nor explicitly encouraged in the Basic Law. The planning and development of basic resources and infrastructure, for example, have occurred in a largely *ad hoc* manner, and primarily as a response to particular pressures. As far as regional infrastructure developments are concerned, examples of government initiative do exist, and the growing cross-border police cooperation is notable in this respect, but other elements of cross-border official relations appear slow to develop. Overall, there is little evidence of initiative-taking, strategic leadership, or coordinated planning.

The “defense” of Hong Kong's distinctive situation and political culture—its population size, British legal heritage, civil service institutions, laissez faire economic environment (“free market credentials”) and, of course, its autonomy from direct Chinese authority—underlies, understandably, the initial reluctance to move toward a more integrated region or open border. Hong Kong's distinct advantages as an international financial center and as a preferred location for many multinationals would undoubtedly be threatened if this defense were not successful. In interviews conducted for this paper, higher civil servants gave a litany

of such concerns: “As we work out a *modus vivendi* with the other side, we must be aware of the risks.” “We need to avoid the contamination of Guangdong. The border protects us.” “Short term commercial gain is tempting, but we must remain cautious.” “Let the initiative for further border opening come from the private side.” One academic observer, noting this preoccupation with the risks, pointed to the current leadership’s British education and orientation, adding, “Guangdong represents a starkly different culture to them. Its ways of operating are unfamiliar. Before 1997, their world ended at the border.” A far more blunt business leader simply said, “We have a civil service that is still scared of China.”³²

Another crucial factor is the awkward framework necessitated by Hong Kong’s special status. Hong Kong must conduct relations directly with Beijing, and also relate to the provincial or neighboring local entities via this route. The city is not directly connected to the ruling Party apparatus in Beijing, nor does a practical arrangement or formula exist for inclusive cross-border official framework. Separate channels are increasing and can be effective to a degree, but they will never add up to a comprehensive approach.

Hong Kong’s concerns for maintaining its autonomy within the Chinese sphere translate automatically into a cautious approach to cross-border government—and government deal making—that might undermine its special sovereign status. That is, official relations that do not go through Beijing carry the serious implication that Hong Kong is simply another part of China.

In interviews, questions about the impact of reversion on the prospect of regional integration led to many interesting observations from officials and business people in Hong Kong. For one, the handover brought a major change in the form of contact, as Beijing moved into a pivotal role as gatekeeper and mediator, thereby assuming considerable, if indirect control over the entire process. For another, official interaction across the border became more formalized after 1997. It was said that Guangdong officials had more difficulty visiting Hong Kong after the handover, for example, and both Hong Kong and Guangdong had to seek Beijing’s permission before initiating any new contacts or agreements. That the new arrangement was more cumbersome and complex, and less in keeping with the realities of a metropolitan area now appear to be largely taken for granted.

Instead—and this is more speculative—it appeared (in late 1998, at the time of interviews for this paper) that Beijing and Hong Kong generally were inclined to lend support to one another in dealing with Guangdong’s notoriously independent local officialdom. Certainly, Hong Kong sought Beijing’s leverage over governmental agencies in Guangdong. While not confirmed, it is likely that Beijing also relies to some degree on Hong Kong in its efforts to control corruption and crime in the Delta, and the reverse would undoubtedly be true. Listening to Hong Kong officials speak of the relationship with Beijing gave one the sense of mutual respect—as between mandarins, who jointly look down on the quality and trustworthiness of the local authorities on the Guangdong side.³³ Hong Kong officials made frequent mention, for example, of the need to educate the other side, with Beijing’s support. In another instance, officials of the anticorruption agency in Hong Kong (the ICAC) have, with Beijing’s approval, made contacts with the Procurate Office in Guangdong, seeking to build a joint anticorruption regime based in part on the Hong Kong model. The tentativeness of this relationship is also interesting. On the one hand, Hong Kong will not investigate the corrupt practices of Hong Kong businesses in Guangdong, viewing its job as “keeping our side of the border clean.” On the other hand, the city has an education program for new immigrants that underscores Hong Kong’s intolerance of corruption. A tight border remains Hong Kong’s crucial weapon. One senior official went so far as to worry that a serious crackdown in Guangdong would drive more criminals across the border.

What can be said of Beijing's position? This is perhaps the least easily discernible element of this multifaceted political situation. To begin with, it is certainly Beijing's priority to stress the benign nature of "one country, two systems" to Taiwan and the rest of the observing world. In this situation, rapid change or too assertive a stance on regional integration would be counterproductive to Beijing's aims. For its part, Hong Kong must prosper, on its own terms. SAR autonomy cannot appear to be jeopardized, especially in the eyes of international investors and media. Such concerns would certainly encourage Beijing's cautious approach, but hardly rule out the possibility of working closely with Hong Kong to develop a general strategy for the region. Similarly, these worries are irrelevant to further opening of the border, given that this would be essentially a unilateral Hong Kong decision. A stronger Delta region in economic terms is certainly an important goal for Beijing, given its overall economic problems. What is perhaps most difficult to understand from a distance, however, is whether Hong Kong's growing influence throughout the Delta carries any threat of too great a liberalizing tendency toward culture and politics. Cultural conservatives, for example, have long been discomfited by the pace of social change in the region, citing especially the rise of immoral behavior and consumerism. A problem exists here, to be sure, but it is a longstanding one, presumably viewed differently by different elements of the Party leadership in Beijing.

In what direction, then, does Beijing hope to steer the development of the Pearl River Delta? Reportedly, it has long considered Guangdong to be too autonomous and corrupt. But there are also recent reports of improvements in Beijing's degree of control in the region. Assuming an eventual convergence of Hong Kong and Guangdong in economic and social terms, Beijing cannot want either side to dominate the final configuration. It plainly does not intend Hong Kong to succumb to the pattern of government found in Guangdong, nor can it want Guangdong to become a replica of Hong Kong, with its pro-democratic movement, nongovernment organization (NGO) activists, alluring popular culture, and free press. It would seem natural to assume, then, that Beijing favors a very cautious, incremental approach to regional integration, one that stays only somewhat ahead of the pace of China's general transformation.

As the broker and final authority in political matters between the two sides of the border, Beijing remains in control and capable of intervening to resolve disputes. This capability was amply demonstrated by its use of air traffic control regulation to shape the allocation of landing rights among the airports on the PRC side of the Delta. As local interests clash in the course of rapid growth, the fact that the separate claimants will increasingly have to turn to Beijing to resolve their problems may please the central authorities. Is this a significant factor on the side of maintaining the status quo? As things stand now, Hong Kong may be consulted and it may lobby Beijing, but the central government occupies the pivotal role. Here, though, the question of initiative remains unanswered, since the roles of arbiter, broker, and final authority are better preserved, if not confused, with that of lead advocate.

Turning to Guangdong, several academic observers noted in interviews for this paper that high-level provincial officials appear more willing than their Hong Kong counterparts to accelerate practical steps toward greater cooperation and integration. There may be more than one version of this story and much certainly depends on the particular issue under review. For instance, the story changed when the same academics were asked about local level government on the PRC side, especially in areas where the initiative comes largely from the Hong Kong side, such as corruption, labor regulation, and the environment. Quite

clearly, the local municipalities have welcomed Hong Kong investment and need help managing the problems of infrastructure, but they hope to progress in these matters without losing the flexibility and lucrative returns that local control has provided. In sum, at the local level, Guangdong municipalities want the freewheeling to continue, and in this desire, they will likely find allies among segments of the foreign business community, including those from Hong Kong.

At the higher levels of the Guangdong provincial government, a very different set of concerns must be at work. There is no question that the problems of rapid development and urbanization are most acute on the Guangdong side of the border. Once begun, it is very difficult to slow the pace of such growth and dangerous either to slow it, or to ignore the mounting negative externalities that accompany it. Solving these numerous practical problems, such as energy supply, traffic congestion, and waste management, are key priorities, and shared with the Hong Kong side. The province's high-level officials report to Beijing and its own senior officials, at the *very* top of the administrative tier, are actually sent by Beijing. This structure also prevails in Shenzhen and other special zones, making them all cooperative players, presumably, as long as Hong Kong and Beijing concur on a general course of forward movement.

To any high level Guangdong bureaucrat, Hong Kong's rich government must also be an important factor. Hong Kong, for example, provides much of the funding when joint public projects are initiated. The city and its universities have the professional resources to analyze and design projects at a much higher level than would be possible with local resources alone. Hong Kong regularly pays for consultants and academic studies that benefit the Guangdong side. Furthermore, the Hong Kong bureaucracy itself brings to any joint effort a professional expertise in public works planning that Guangdong does not possess.

Despite the ultimate need for overall cooperation in the Delta, the current situation at the local level is marked by intraregional competition that cannot be ignored. First, each locality inherently aims to surpass its neighbors. The real estate development game is local. Second, the desire to take lucrative business from Hong Kong (for example, in port traffic or high tech development) remains an important element in local calculations. Third, it must be a common thought throughout the PRC side of the Delta that Hong Kong's enormous business power could potentially dominate nearly any prospect for higher value-added business, once the gates are open. Particularly relevant, in theory at least, would be the stance of Guangzhou, which has historically been a natural rival. Such calculations of gains and risks will be significant ingredients in any future plan of greater comprehensive integration.

It is notable that no Delta-wide institutions or quasi-governmental authorities have been set up to manage the emerging complexities of growing metropolitan interdependence. It appears that the political side of integration has fallen seriously behind the rush of economic change. Hong Kong officials, in talking about this, give no indications of having an overall strategy or plan for the future, either on their part or that of Beijing. It appeared that simply managing the handover effectively, and coping with political opposition, had occupied most of their attention. Infrastructure planners readily acknowledged the pressing problems facing the Delta as a whole, but other parts of the Hong Kong government were clearly more focused on other matters. In senior government circles, furthermore, the opportunity costs of delay in creating institutions that bridge the border are far less obvious than the more self-evident risks involved. Furthermore, interviewees for this paper implied that strong developer and real estate interests actively opposed moves that would threaten the value of their Hong Kong assets; the city's leadership could not easily deny or overlook

this concern. This state of affairs suggests that the business community could—or already has—split over how to proceed vis à vis regional integration, further emphasizing the need for caution on the government’s part.

For the majority of business interests in the Delta, the opportunity costs associated with the status quo are too great to ignore. In the Guangdong market, they include a long list of business opportunities for service businesses like finance, distribution, marketing, media, business services, and consulting, not to mention greater efficiencies of scale (on a Delta-wide basis) for many public services on which Guangdong depends. In Hong Kong, the city’s very cost structure would be more effectively managed. Hong Kong government funds currently allocated to high-cost projects, and public services that could be accomplished more efficiently on a regional basis, would be another plus in the eyes of business. Lowering housing costs for the general range of workers would also improve business prospects in the region. Encouraging high-tech subsidiaries and more high value-added industries on the Guangdong side, or merging the Shenzhen and Hong Kong stock markets are other possible milestones along the road to deeper economic symbiosis across the region.

Crossing the border to do business, Hong Kong entrepreneurs have easily adapted to the “practicalities” of dealing with Guangdong officials. They may prefer the British legal legacy and high civil service standards, but they willingly operate in both worlds. Perhaps the business community takes too much for granted, wanting their cake and eating it too, so to speak, but on the topic of the rule of law they were less concerned than the civil service. In the eyes of the business community, then, a more proactive stance toward the Delta as a unified space is both warranted and desirable.

Several other pieces of the Hong Kong side of the puzzle deserve mention. Pearl River Delta integration would be hard on the labor movement in Hong Kong, for example, and increased governmental involvement with the PRC might undermine the momentum of the democracy movement. The logic underlying this latter assertion goes as follows: Hong Kong itself may arguably be ready for a rapid increase in democratic participation, but the Guangdong side certainly is not. If the two have begun to integrate, the simplicity of the “democracy for Hong Kong” argument is confounded to some degree. First, just as the civil service emphasizes the critical nature of preserving Hong Kong’s civic and legal character, so the democracy forces recognize the value of maintaining a strict border, which in turn underscores their belief that Hong Kong is ready for fully elective government. Second, increasing social and economic integration could raise the specter, in Beijing’s eyes, of a more autonomous Delta region, which would likely harden its concerns about a democratically run Hong Kong. Finally, an economically pragmatic argument (represented by Hong Kong business interests) can be expected to assert that solving the Delta’s problems *before* further democratization makes the most sense. It is true that the delicate maneuvering with Beijing that will be required in any overall scheme for greater integration will certainly be more cumbersome, if the democratic movement prevails and there is greater transparency and more public accountability prevail in Hong Kong. Large developers, unions, and pro-democracy advocates are interest groups favoring the status quo which are most likely to emphasize the need for a continuing tight border.

Concluding Discussion

The government of very large metropolitan regions is always complex and messy, but the Pearl River Delta region is on its way to becoming among the most complex and most messy. Though it is one of the most rapidly growing urban areas in the world, with enormous future potential, it desperately needs a system to manage and direct this dynamic growth. Hong Kong's future place as part of the Chinese economy will undoubtedly be defined by the way the Delta develops, and by the role Hong Kong assumes in shaping that development. The practical, technical problems and challenges are not difficult to grasp, but coordination and leadership remain problematic, daunting, and easily susceptible to mismanagement.

On the one hand, the parochial economic interests at risk from greater economic integration are numerous, and include retailers (already affected by the impact of Shenzhen bargain hunting), labor, and real estate. On the other hand, the collective advantages of greater integration to Hong Kong's economy, competitiveness, and other business interests are both hard to calculate and more difficult to sell politically. In addition to the already specified issues of immigration, criminal activity, and investment opportunity, it is important to note that, on the Hong Kong side, wage levels, some kinds of jobs, real estate values, and many forms of retailing and personal service provision could be hurt by border-opening moves. Simply put, those interests that currently enjoy quasi-monopoly rents due to constraints the border imposes on labor, land supply, and consumer markets will certainly face greater competitive risks if integration proceeds. Especially significant is the potential for a serious reduction in asset values in general, should the integration be handled poorly. A coalition of threatened interest groups could easily form in response, and upset the current balance of political forces in the SAR.

To be sure, a gradual adjustment of Hong Kong's overall cost structure is crucial to the city's long run competitive viability as a global center. Cities with contiguous hinterlands experience an almost invisible, but continual modification of such costs as a result of metropolitan expansion. Standardized work (blue and white collar) typically moves out to lower cost locations, and residential developments on the periphery help to balance living costs. Hong Kong has seen manufacturing jobs move out, but has not yet experienced these other developments. Already a very expensive place in which to work and do business, the city faces immediate competition from such cities as Shanghai and Singapore, and a similar—and eventually, perhaps even threatening—potential challenge from Guangzhou. Unless integration proceeds, it is clear that the fundamental supply/demand balance in Hong Kong can only grow increasingly unfavorable over time.

If the border's monopolistic effects on prices are gradually reduced, living costs for the average Hong Kong citizen will be lowered. How the collective benefits of integration will be represented in the political arena—in the face of the array of near-term threats to various organized interests—presents a major challenge to the city's leadership. Without question, there will be some losers in the process of integration and some painful adjustments. In the aggregate, there will be a net gain for the city and its citizens, yet this remains a more difficult point to sell to the public.

“One country, two systems” may have solved many of the problems faced by the British and Chinese negotiators, but a different and more controversial formula to deal with practical metropolitan issues in the Delta area will soon be needed. Local events, along with the action or inaction of political authorities in Beijing, Hong Kong, and Guangzhou will rewrite the “one country, two systems” formula in the PRC. As one scholar noted, “we have

one country, but many systems.” It could be said just as readily that the Delta today is “one region and no system.”³⁴

The level of Delta economic development has passed the point at which Hong Kong can afford to follow an *ad hoc* approach. This paper has emphasized the powerful economic, cultural, and spatial forces pushing for greater integration. In cultural and linguistic terms, rapid integration is not the problem—in most cases it occurs when a metropolitan area arises along a border. The fact that the political players have chosen not to acknowledge these realities publicly does not diminish their importance. Economic growth in today’s East Asia involves the fundamental dynamic of social and political change, and its ultimate consequences are certain to be profound. Cities are the essential environment for such growth, and their management, good or bad, carries great importance. This is not news to Hong Kong people, of course, but is a truth increasingly appreciated in other Asian metropolitan areas. Recognizing that today’s Delta is shaping the South China metropolitan core of twenty years hence, the question remains: what kind of “city” will it be? The potential for Hong Kong to maintain its position as one of the leading two or three centers of East Asia is being shaped just as certainly by the same forces. A disintegrated, debased, and disorganized Delta region, should it turn out that way, could prove to be Hong Kong’s Achilles heel in the evolving competition for leadership among cities in China and in the East Asian region.

Beijing, on its side of this complex equation, has achieved its primary goal of reversion. Now, it appears to be protecting that achievement more in terms of Taiwan and the possibility of a peaceful advance than by attending to Delta area growth and management—another quite visible measure of what reversion has meant. Not only is the region’s development pattern important to China’s future growth, but also as the foundation for the next chapter in the “one country, two systems” story as it unfolds.

Timing is critical. Moving forward too quickly could endanger the SAR’s distinct status, but going too slowly will undermine its perceived role as the region’s natural leader and bring great long-term opportunity costs, as noted above. Managing this challenge is probably more vital to Hong Kong’s future than managing the timetable to a democratic soft-landing within the framework of the Basic Law. This is a most important debate, but it is not yet taking place, at least not publicly.

Do other parts of the world provide instructive examples of cross-border regional integration? One obvious parallel is the border shared by the United States and Mexico where—despite culturally and politically different systems—one finds steadily increasing cross-border cooperation and recognition of common regional interests. The key lesson here suggests that a go-slow, selectively incremental approach is consistent with a long-term strategic plan. Another example is that of East and West Germany, though that integration scenario presents many differences from the South China case. The level of economic integration between East and West Germany was initially much less advanced than that between Hong Kong and Guangdong today. The relative economic power and scale of the two sides was also far more balanced than in the Asian situation. Furthermore, the land and labor market differences in Germany were not of the same magnitude as those in the Delta. The capacity of the Hong Kong economy to absorb the costs of integration is minuscule compared to that of West Germany. Despite such differences, what is instructive is that the costs were very high, the unintended consequences considerable, and the “all at once” approach difficult to control. Yet another comparison might be drawn with the Seoul metropolitan region. Less than an hour’s drive from the border with North Korea, this area will prompt much careful analysis of options, should *détente* and gradual integration with

the North begin. But again, this is a markedly different situation and a prospective one at that. More probably, the Koreans will study the Pearl River Delta in the future. Acknowledging, then, that no two cases of urban regions divided by international borders are the same, Hong Kong might yet derive some value from studying these locations, both as a means of defining its own agenda, and clarifying its options.

What early steps might be considered? Already there is talk of opening the border twenty-four hours a day and thought being given to the development of a special manufacturing zone along the border with Shenzhen. Could some of the customs inspections take place further inland? Can other forms of work and residence permits be developed? Can more consultative committees be set up and more activity encouraged? More critically, might a deal be worked out with leading developer and real estate interests to give them strong incentives to work incrementally to relieve the pressures on Hong Kong, while not threatening their basic interests? Could a long-term plan be established in which the police on both sides of the border extend their cooperation to more kinds of work, and eventually, even assign liaison to the other organization? A general plan for transport and other infrastructure development—even if it is nonbinding and used only as an indicator of future problems and costs—is another early necessity. Such questions are but suggestive of the possibilities for incremental change across a wide range of issues, and one wonders just how actively Beijing would encourage any or all of these kinds of moves.

With respect to the fears of corruption invading Hong Kong and its civil service, are these accurate or exaggerated? The potential for such a development is not in question. However, in a world in which dominant international market forces generally force change in Asian governance toward greater, not lesser “rule of law,” concerns that Hong Kong’s administrative culture will be undermined have a counterintuitive ring. Such an occurrence would be so devastating economically for the city, the region, and for China, that one assumes a broad array of forces would mobilize against it. If international standards continue to gain ground as part of globalization, then Hong Kong side will enjoy the momentum in any future regional integration. If such standards do not carry the day, the fears of corruption may be justified. In other words, if the achievements of Hong Kong’s British heritage are exceptional, and thus fragile in a Chinese context, Hong Kong has ample reason to be cautious. Arguments for either perspective are plausible at this point.

On the ground in the Pearl River Delta, economic and social change, environmental degradation, and exploding infrastructure needs are clearly moving at their own rapid pace. A single area of popular culture has emerged, and despite the acute political differences, the Delta is inexorably evolving into a single metropolitan giant. Beijing, Hong Kong, and Guangdong will have to recognize this fact more formally. How they move from *ad hoc* consultative arrangements to effective joint authorities and other suitable institutional forms depends on whether Hong Kong and Beijing jointly resolve to cooperate in such an undertaking. Patently, Hong Kong would have to occupy a position of considerable immediate leadership for such an initiative to succeed, yet Beijing’s confidence in its own ultimate authority would need to be preserved. Could officials at the different levels in Guangdong accept this state of affairs? How much would Beijing intervene? To what extent would the perspective of Hong Kong’s higher officials have to shift? Can a unified business community be expected? At this stage, the answers are not readily evident.

The tensions and difficult choices between the forces of economic change and the comfort of political continuity that mark so much of East Asia today are generally being resolved in favor of economic issues. Political concerns and matters of state control are under pressure to

adapt, and the Pearl River Delta appears to be no exception. The process of adaptation, however, involves a complex group of actors that have yet to address this challenge. The play has not been scripted, but the audience is already assembling in the theater.

Notes

¹ A number of books of great value have recently been published on the general topic of the Pearl River Delta, whether focusing on the mainland side or on the Hong Kong economy. They are: Yun-Wing Sung, Pak-Wai Liu, Yue-Chim Richard Wong, and Pui-King Lau *The Fifth Dragon: The Emergence of the Pearl River Delta* (Singapore: Addison Wesley Publishing, 1995), and Michael Enright, *The Hong Kong Advantage* (Hong Kong: Oxford University Press, 1997). Barry Naughton's "Between Hong Kong and the World: Hong Kong's Economy before and after 1997," in Gary G. Hamilton, ed. *Cosmopolitan Capitalists: Hong Kong and the Chinese Diaspora at the End of the Twentieth Century* (Seattle: University of Washington Press, 1999) provides an excellent complement to Enright. The material on the Pearl River Delta and the comparative perspective on Guangdong in Shahid Yusuf and Weiping Wu, *The Dynamics of Urban Growth in Three Chinese Cities* (Oxford: Oxford University Press, 1997) has also been of considerable value. See also Reginald Yin-Wang Kwok and Alvin Y. So, eds., *The Hong Kong–Guangdong Link: Partnership in Flux* (Armonk, NY: M.E. Sharpe, 1996) for a series of papers on the changing cross-border relationship. A number of other papers have been published on this relationship, including Yue-Man Yeung, "Planning for Pearl City: Hong Kong's Future, 1997 and Beyond," in *Cities*, vol. 14, no. 5, 1997, pp. 249-256; and Chung-Tong Wu, "Globalization of the Chinese Countryside: International Capital and the Transformation of the Pearl River Delta" in Peter J. Rimmer, ed., *Pacific Rim Development: Integration and Globalization in the Asia-Pacific Economy* (Canberra: Allen and Unwin, 1997).

² The differences in real estate markets on the two sides make precise comparisons complex and increasingly varied, according to such factors as proximity to Hong Kong. Nevertheless, in the early 1990s the most expensive Shenzhen residential real estate was priced at about one quarter of the cost of an average Hong Kong apartment (HK \$200–1,000 per sq. ft. versus HK \$4,000 per sq. ft.). See Sung, Yun-Wing, et. al., op.cit.; various Jones, Lang, and Wotton reports; and *Far Eastern Economic Review*, December 10, 1998. p. 12.

³ This core consists of Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Foshan, Huizhou, and Jiangmen. Thus, the definition used here is the area encompassing these municipalities and Hong Kong. It should not be confused with a number of other usages. Some, for example, refer to the Pearl River Delta without including Hong Kong. Using the Pearl River Delta label, the Chinese government has created two economic zones that also refer only to the mainland side of the Delta region.

⁴ This area consists of Hong Kong, Macau, Guangzhou Urban District, Shenzhen Municipality, Zhuhai Urban District, Dongguan Municipality, Zhongshan Municipality, Foshan Urban District, Shunde City, Nanhai City, Panyu County, Jiangmen Urban District, Heshan City, and Xinhui City.

⁵ This region consists of the four prefectures of Tokyo, Chiba, Kanegawa, and Saitama.

⁶ This region includes New York City, two counties in New York state, seven New Jersey counties, and six Connecticut counties.

⁷ This author's estimate is based on a current figure for Hong Kong of about US \$160 billion and a calculation for the PRC side of the Pearl River Delta of about US \$40 billion, using current municipality and city level figures. It is necessary to caution against a literal use of any comparative urban data of this kind, since the spatial definitions, calculation methods, and other basic ingredients used in constructing such data are not uniform, and sometimes not even explicit.

⁸ See Remy Prud'homme, "On the Economic Role of Cities." Draft paper for the OECD/Australian Government Conference entitled "Cities and the New Global Economy." November 1994.

⁹ Current lists and discussions of the world's leading cities rarely mention the Pearl River Delta. The reasons for this can be found in the perceptions fostered by our current methods of assembling data. Neither Hong Kong (6.7 million) nor Guangzhou (4 million), the region's two largest cities, attains, on its own, a scale to place it among the world's largest. They lie eighty miles from each other (about the distance from one side of the Los Angeles Basin to the other, or from New York to Philadelphia), a distance just over the usual spatial formulations for a metropolitan region.

¹⁰ See Ezra F. Vogel, *One Step Ahead in China: Guangdong under Reform* (Cambridge: Harvard University Press, 1989).

¹¹ See Fred C. Shapiro, "Letter from Hong Kong," *The New Yorker*, June 29, 1992, pp. 74-82.

¹² See the Hong Kong Bureau of Works' 1999 booklet, *A Summary of the Exchange of Experience and Cooperation between Guangdong Province and Hong Kong*.

¹³ Memo on this subject supplied to the author by the director of Electrical and Mechanical Services, Hong Kong government, dated May 15, 1999.

¹⁴ The Daya Bay Nuclear Power Plant and the Shijiao Power Station are the leading examples of completed projects. The Shijiao project was built by Hopewell.

¹⁵ Based on interviews with Works Department officials, December 12, 1998.

¹⁶ Certain firms, particularly Hopewell, have experienced well-publicized financial problems in building the toll highway system in the Delta. This, too, could limit road system development in the near future. Rates of return will have to improve and calculations about usage made more carefully in what could be an increasingly uncertain economic environment on the Guangdong side.

¹⁷ This section owes much to John Ure, "Hong Kong and China's Telecommunications Network" in Anthony Gar-On Yeh, and Chai-Kwong Mak (eds.), *China's Cities and China's Development: A Preview of Hong Kong's Future Role* (Hong Kong: The University of Hong Kong, 1995), pp. 235-44.

¹⁸ Interview, December 10, 1998.

¹⁹ Estimates vary, but some of this money can be traced back through Hong Kong to mainland Chinese firms seeking for their investments the special tax and other advantages granted to foreign investors in the Special Economic Zones.

²⁰ Interview, December 12, 1998.

²¹ Interview, December 10, 1998.

²² Gregory Eliyu Guldin, "Toward a Greater Guangdong: Hong Kong's Sociocultural Impact on the Pearl River Delta and Beyond," in Reginald Yin-Wang Kwok and Alvin Y. So, eds., *The Hong Kong–Guangdong Link: Partnership in Flux* (Armonk, NY: M.E. Sharpe, 1995).

²³ Hong Kong Immigration Department data for years including 1998.

²⁴ The government's recent decision to let a Beijing court overrule the Hong Kong High Court on residency rights for illegitimate children sets a politically disturbing precedent. However, there is also a very real concern about just how much further the territory's population can be allowed to grow. As a measure of the scale of the problem, the projection of over a million new migrants would translate, in the case of the United States, to 46 million new residents.

²⁵ Golfers might find it interesting that there is even a Nick Faldo-designed course. Many of the courses also have condominium developments oriented largely to Hong Kong buyers.

²⁶ In the course of interviews for this paper, some officials and business leaders opposed what they viewed as the Hong Kong's government's overcommitment to science and technology. Though such initiatives were urged by a variety of universities and American experts, officials feared that science and technology would create a public trough, waste government money, and place the government in the role of program guarantor. In the opinion of these officials and business people, outside experts and local university interest groups are listened to too much.

²⁷ See Shapiro, *op.cit.*

²⁸ *Ibid.*

²⁹ Unnamed official, interview, December 10-13, 1998.

³⁰ Unnamed official, interview, December 10-13, 1998.

³¹ It is important to note here that Hong Kong has maintained a land-use policy of great potential relevance to China. Despite its *laissez faire* reputation, land in the former colony belongs to the government, which has astutely developed it or leased it to private developers, so that—in a highly planned and coordinated way—the efficiencies of public transportation, housing, and open land may be maximized. Business development and the port have also been effectively coordinated using the same tools. Ironically, the local public ownership of land on the Guangdong side has led, by contrast, to unplanned sprawl.

³² Unnamed officials, interviews, December 10-13, 1998.

³³ It may be relevant that, as a University of Hong Kong professor noted, “The civil service as a rule appears neither very interested in nor very knowledgeable of Guangdong.” Interview, December 13, 1998.

³⁴ Unnamed scholar, Hong Kong University, interview, December 13, 1998.

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