

CELEBRATING THE DNA OF HONG KONG

THE 2018 HONG KONG YOUNG LEADERS PROGRAMME



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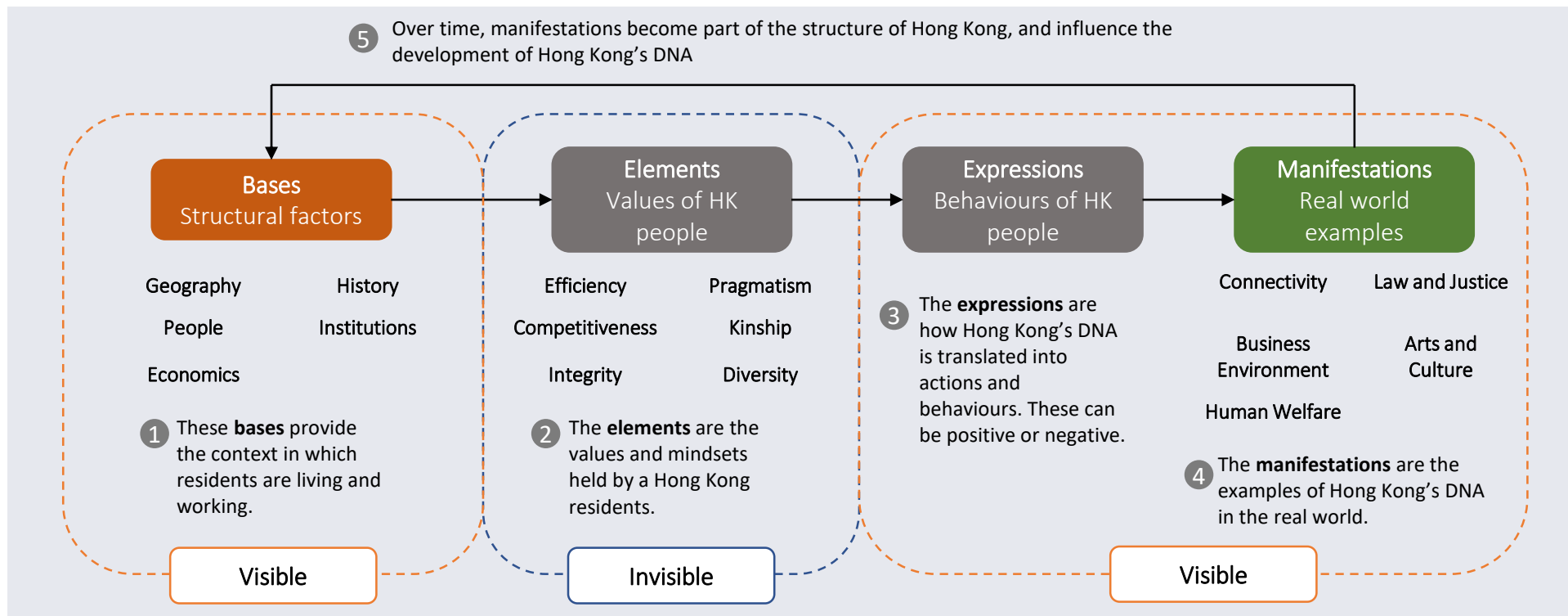
Executive Summary (1/3)

Discovering the DNA of a City

All major cities, including Hong Kong, have a certain attitude and mindset that defines the people that live there. This is what differentiates a city from its peers. We could understand this as the “DNA” of a city: the values and behaviours that lead people to create the organisations, businesses and communities that make a city what it is.

Challenged by both internal and external changes, Hong Kong is currently trying to determine what its future role in China, Asia and the world will be. But overcoming uncertainty about the future will need certainty about who we are and where we are now. By understanding the “DNA” of Hong Kong, we can build a framework to analyse what makes the city unique.

The DNA framework proposed herein has four stages: the **bases**, macro-level structural factors that do not change in the long-term, help to shape the **elements** of Hong Kong’s DNA, which are the unique attitudes and mindsets held by Hong Kong’s residents. These elements are **expressed** by Hong Kong people as both positive and negative behaviours, and are **manifested** as the visible things we see in the city.



Executive Summary (2/3)

The Bases of Hong Kong's DNA

Bases are the “big picture” characteristics of a place. These will not change in the short term, and may undergo only gradual change in the long term. These bases provide the context in which residents are living and working.

1. **Geography** — Hong Kong's natural characteristics, its strategic location in China, Asia and the wider world.
2. **History** — Hong Kong's colonial heritage, post-war economic and institutional development, and its experience after the Handover.
3. **People** — Hong Kong's diverse population, and the skills, talents and cultural influences they possess.
4. **Institutions** — Hong Kong's independent, stable and effective bodies that exert governance.
5. **Economics** — Hong Kong's transition from a manufacturing to a service economy.

The Elements of Hong Kong's DNA

The elements are the values and mindsets held by Hong Kong's residents. These combine to create a unique attitude held by those that live in a city, regardless of cultural background or nationality.

1. **Efficiency** — The ability to do things well, successfully, and without unnecessary excess.
2. **Kinship** — A commitment to relationships between members of the same family or close-knit group.
3. **Pragmatism** — Viewing all things and situations in terms of practical uses, value and success.
4. **Integrity** — Being honest and having strong moral principles, or moral uprightness. This links to trust, both in people, organisations, and institutions.
5. **Competitiveness** — The desire to be more successful than others.
6. **Diversity** — Encompassing variety, along multiple dimensions including ethnicity, ability, regions and cultures.

The Manifestations of Hong Kong's DNA

The manifestations are the examples of a city's DNA “in the real world”.

1. **Connectivity** — Hong Kong's domestic and international connections.
2. **Law and Justice** — the systems that legislate, adjudicate and enforce laws and protect rights in Hong Kong.
3. **Business Environment** — the ease of doing business in Hong Kong.
4. **Culture** — the artistic and artisanal creations developed by Hong Kong's people.
5. **Human Welfare** — the provision of important social and public goods in Hong Kong.

Executive Summary (3/3)

The Future of Hong Kong's DNA

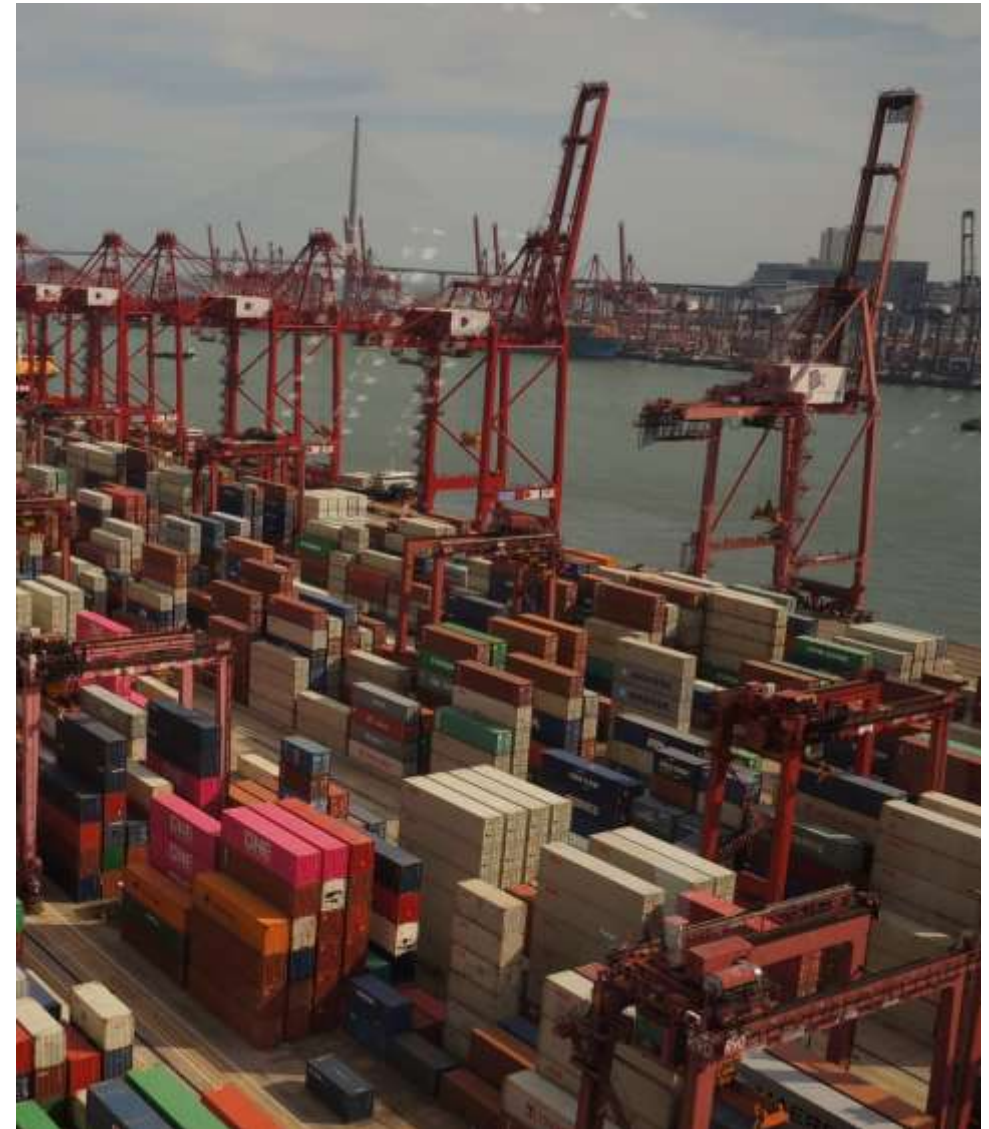
Looking to the future, we anticipate the following six global megatrends will present a significantly different environment for Hong Kong in the future. These megatrends are:

1. Hyper-globalisation
2. Climate Change
3. Changing demographics
4. China's rise
5. Innovation and technology
6. The rise of nationalism, protectionism and populism

To account for these changes, Hong Kong will need to both strengthen its existing DNA elements while also fostering new ones. Specifically, we highlight three new elements that would serve Hong Kong well in the future:

1. Moving beyond diversity to inclusivity
2. Increasing global awareness for Hong Kong as a service hub
3. Creating a society that is contented with its standard of living

We suggest ten policy focus areas that would help to develop these three elements over time, including (but not limited to) land and housing, institutional strength, education, and Hong Kong's international presence.



A knowledge of Hong Kong's DNA tells us where Hong Kong is well-placed to tackle future challenges, and where the city needs to improve.

INTRODUCTION AND BACKGROUND



The 2018 Hong Kong Young Leaders Programme



The Global Institute For Tomorrow (GIFT) is an independent pan-Asian think tank providing content-rich and intellectually challenging executive education from an Asian worldview.

Based on GIFT's internationally recognised experiential Global Leaders Programme, the **Hong Kong Young Leaders Programme (YLP)** is an annual platform to inspire a new generation of leaders, set new precedents for constructive dialogue, and promote cross-sector collaboration.

Participating Organisations

Twenty-six young professionals from Hong Kong businesses, government departments and non-government organisations joined the fourth Hong Kong Young Leaders Programme over June and July of 2018. The participants mapped out the key areas of excellence and inherent factors that have contributed to Hong Kong's success, and produced a framework to analyse opportunities and challenges ahead.

Participants on the 2018 HKYLP came from the following organisations, including businesses, local and international NGOs, think tanks, start-ups and government departments.



Multi-sectoral cohort provides fresh perspective and a framework to analyse opportunities and challenges ahead.

Supporting Organisations

This programme would not have been successful without the support from the following organisations:



M E T T Ā



SCAD

The University for Creative Careers



We would also like to thank students, teachers and administrators from the following schools, universities and other educational organisations.

Chinese University of Hong Kong

Diocesan Boys School

Evangel College

Hong Kong Design College

Hong Kong Taoist Association Tang Hin Memorial Secondary School

Islamic Kasim Tuet Memorial College

Pak Kau College

St. Joseph's Primary School

Support! International Foundation

The University of Hong Kong

YMCA Hong Kong Christian College

Insights were gained from a wide array of different stakeholders: business, civil society and government departments.

Programme Structure

Objectives

- To explore and qualify the elements that contribute to Hong Kong's success, and the distinct characteristics which differentiate it from other cities in the world: i.e. the city's "DNA".
- To identify the **external and internal factors** that will affect Hong Kong's future, and propose how the city's DNA might **adapt** to cope with these changes.

Fieldwork

- Gained insights from different sectors, including business leaders, civil society organisations, government, students, media etc. to understand their views on the characteristics of Hong Kong.
- Arranged field trips to local communities to understand the opportunities and challenges faced by public services, culture, technology and welfare sectors in Hong Kong.
- Visited operating infrastructure to understand their difficulties in providing public services.

Outcome

- With guidance from GIFT, participants analysed the information gathered through research, site visits and stakeholder meetings, and developed the **DNA model** presented in this report.
- In sessions facilitated by GIFT, participants came to a consensus about what constituted Hong Kong's DNA and developed recommendations for the future.
- Presented highlights of preliminary findings at a public forum on July 20th in Hong Kong to project stakeholders and representatives from business, government and civil society.



This report's purpose is to create a starting point for further, more detailed discussions about Hong Kong and its "DNA".



HUMAN STORY: THE FABRIC OF HONG KONG

Mr Ho Ying, 58

Owner of 6 fabric shops in Sham Shui Po fabric market.

Convenor of Pang Jai Fabric Market - A campaign group to preserve the fabric market.

“There’s a lot of work, but I just have to work harder.”

30 years ago, Mr. Ho took up his first job as an apprentice at the Sham Shui Po fabric market. Today, he owns six shops in the very same establishment – a metal shed tucked in the heart of one of Hong Kong’s most historic districts.

Mr. Ho’s pride in the textile trade has endured decades of intense local and regional competition, and even a fire – but he is determined as ever to preserve one of Hong Kong’s oldest and most distinctive industries. In addition to taking on apprentices of his own, Mr. Ho also has plans to share his craft by offering textile printing workshops to the public – for free. His industriousness, resilience, and can-do spirit embodies the “Hong Kong hustle” so distinctive to its DNA.

DISCOVERING THE DNA OF A CITY



HKYLP participants visit Modern Terminals in the Kwai Tsing Container Terminals

Hong Kong: Asia's World City?

"Where there is no vision, the people perish." (Proverbs 29:18)

Hong Kong over the past century transformed from a minor fishing village into one of the world's most important financial and logistical centres. Since the Handover from British to Chinese sovereignty, Hong Kong is now deeply integrated with the economy of Mainland China.

Yet the rise of other cities in the region, such as Shanghai, Shenzhen and Singapore, appears to have challenged Hong Kong's pre-eminent position in China and the rest of Asia.

Economically, Hong Kong's unique selling point as a major trading centre has been challenged by the rise of Singapore and Shenzhen. Hong Kong's role as the primary source of investment for China is threatened by Shanghai's increasingly sophisticated financial systems. New digital technologies are also transforming Mainland Chinese society in a manner unthinkable to many in Hong Kong.

Hong Kong also struggles with the provision of public welfare. While the city's provision of housing, education and health care is better than many developed countries, the cost of living has continued to increase in recent years.

This, combined with increasing income inequality and uncertainty surrounding Hong Kong's future, has led to political instability, where vast segments of Hong Kong's population are alienated from the city's government.

These challenges require us to think deeply about what makes Hong Kong a unique place to live. With this understanding, we can better manage Hong Kong's future as part of China, an important hub in Asia, and a global city.



To overcome uncertainty about its place in the future, Hong Kong must get certainty about what its place is now.

What is the DNA of a city?

A city is more than just a collection of buildings, people and infrastructure. The high density and diversity that comes from living in a concentrated space fosters rich interactions that combine to produce something more than the sum of its parts. This uniqueness is then reflected in the attitude of a city's residents, who share similar values and mindsets regardless of culture, nationality or background. These residents, in turn, create organisations, communities, businesses and institutions that reflect these values.

To put this in other words: this unique mindset is the **DNA** of a city, from which grow its characteristics. They are the set of codes, norms and values that underpin the city.

The DNA of a place may not be wholly positive; negative aspects and persistent problems can also arise from this unique combination of values and norms.

A City's DNA

The **inherent** features that characterise a city and its residents.

While invisible, these features are represented in tangible "things", be they organisations, institutions, behaviours, and other things that can be recognised, researched and studied.

This unique attitude, while it may change over time, **persists** over multiple generations.

This unique attitude is shaped by its context — the city's geography, history, economic dynamics, institutional set-up, and other factors — which can cause different values to **thrive**.



Paris

Appreciation for culture **manifested through** significant art, fashion and food sectors



New York

Internationalism and diversity **manifested through** international institutions



Singapore

Trust in government **manifested through** strong provision of public goods



Tokyo

Expectation of high-quality service **manifested through** efficient public transportation

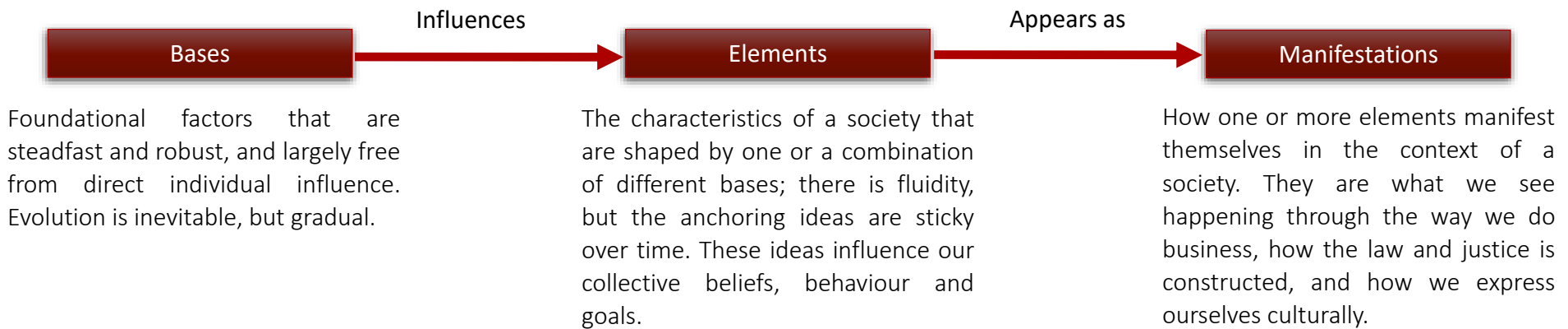
A city's DNA is the combination of mindsets, values and norms that are manifested in a city's unique character: "the way it ticks".

Why use “DNA”?

Characterising the unique aspects of a city through the metaphor of DNA helps us gain a deeper understanding of where these aspects come from.

The unique aspects of a city are usually invisible: they are not tangible things that can be seen and studied directly. However, they are manifested through the real-world things they inspire, whether they are institutions, organisations, or behaviours. These are things that can be recognised and studied.

These unique aspects (and, in turn, the manifestations they create) are shaped by the environment in which they developed. These macro-level characteristics are also qualities that can be researched and studied.

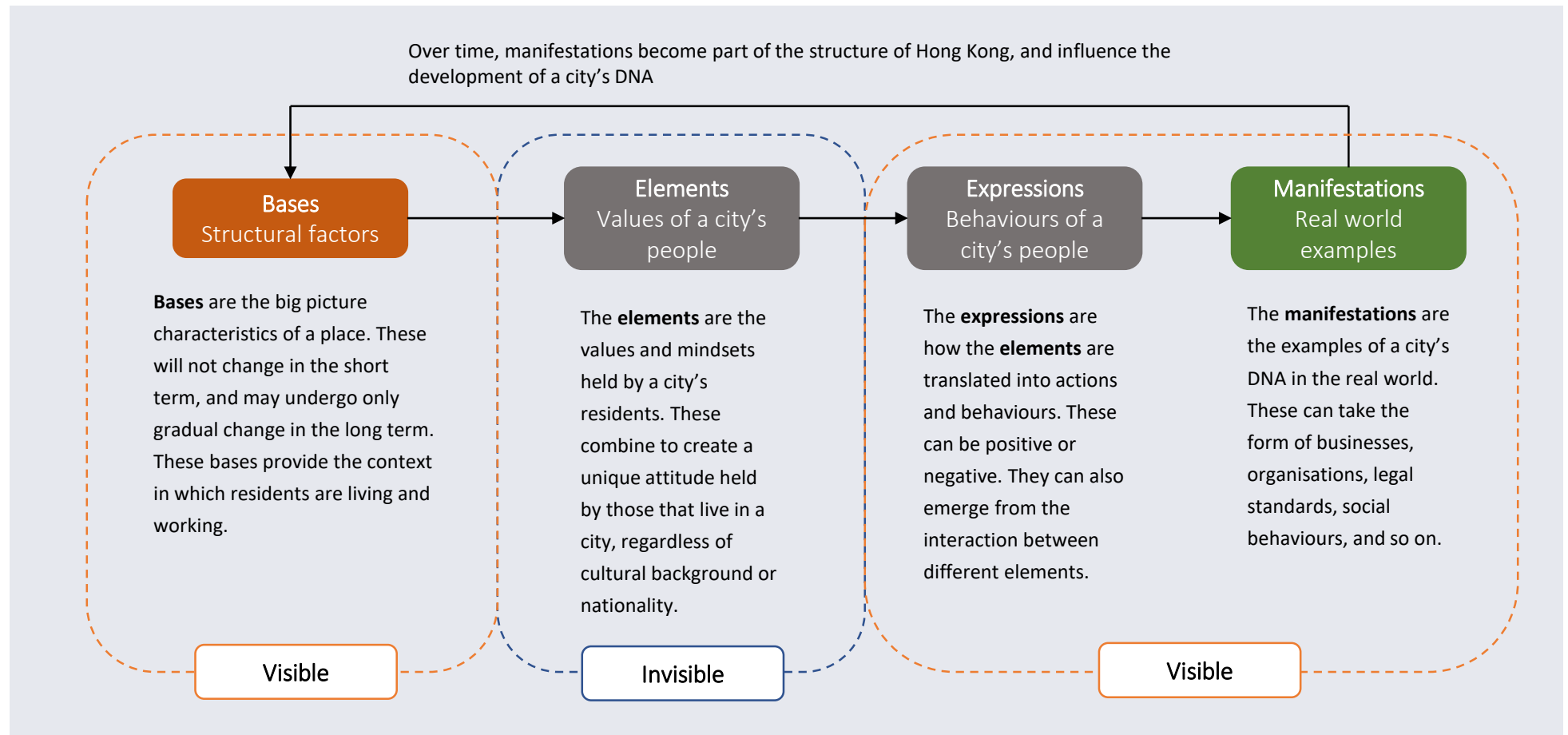


“DNA” allows us to describe the *invisible* values held by residents through studying a city’s *visible* characteristics.

The DNA of a Place

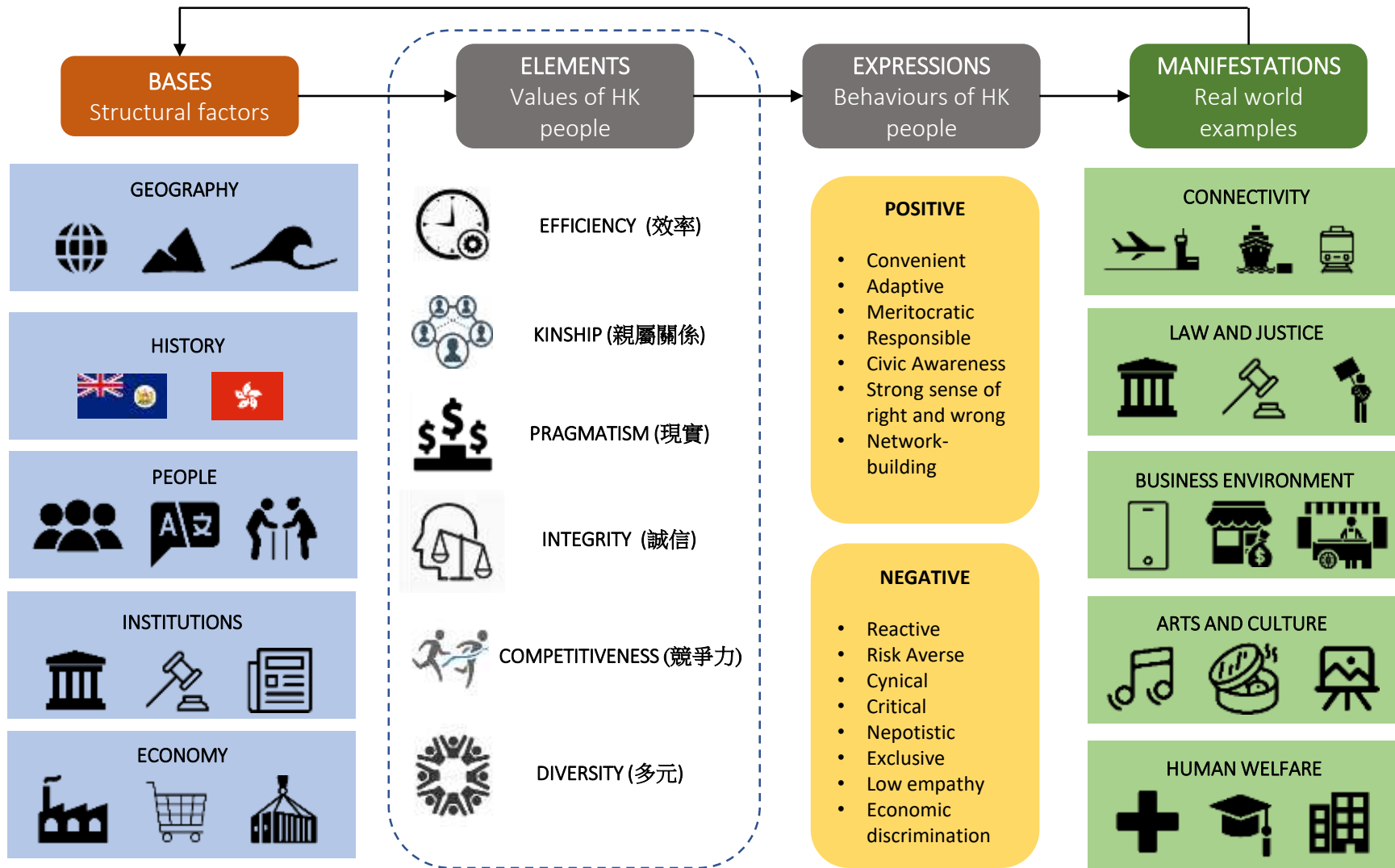
The generic **DNA Model** has four elements (explained below). These are linked sequentially: each stage comes from the interaction of factors from the previous stage.

The sequence from **Elements** through **Expressions** to **Manifestations** display increasing visibility. Whereas **elements** are inherent, yet invisible features, **manifestations** are visible phenomenon. **Expressions** are the semi-visible behavioural link between the two.



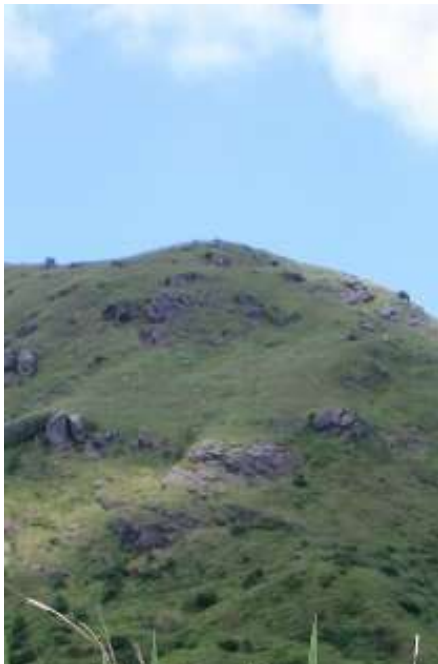
“DNA” is the vital link between macro-level structural factors and the organisations and behaviours that shape and mould a city.

The DNA of Hong Kong



The DNA elements of efficiency, pragmatism, competitiveness, kinship, integrity and diversity make up the mindset that defines Hong Kong.

The Bases of Hong Kong's DNA



Geography

Hilly terrain
Natural harbour
Proximity to China
Location vis-à-vis other global centres



History

Colonial heritage
Post-war social development
Global economic trends
Post-Handover experience



People

Traditional Chinese culture
Immigrant populations
Diverse culture
Human capital



Institutions

Governing bodies
“One Country, Two Systems”
Civil-political rights
Vibrant media



Economics

Economic ideology
Sector makeup
Resource base
Land prices

These are the macro-level structural factors that create the environment that develops Hong Kong's DNA.

The Elements of Hong Kong's "DNA"



EFFICIENCY (效率)

The ability to do things well, successfully, and without unnecessary excess.

KINSHIP (親屬關係)

A commitment to relationships between members of the same family or close-knit group.



PRAGMATISM (現實)

Viewing all things and situations in terms of practical uses, value and success.

INTEGRITY (誠信)

Being honest and having strong moral principles, or moral uprightness. This builds trust in people, organisations and institutions.



COMPETITIVENESS (競爭力)

The desire to be more successful than others.

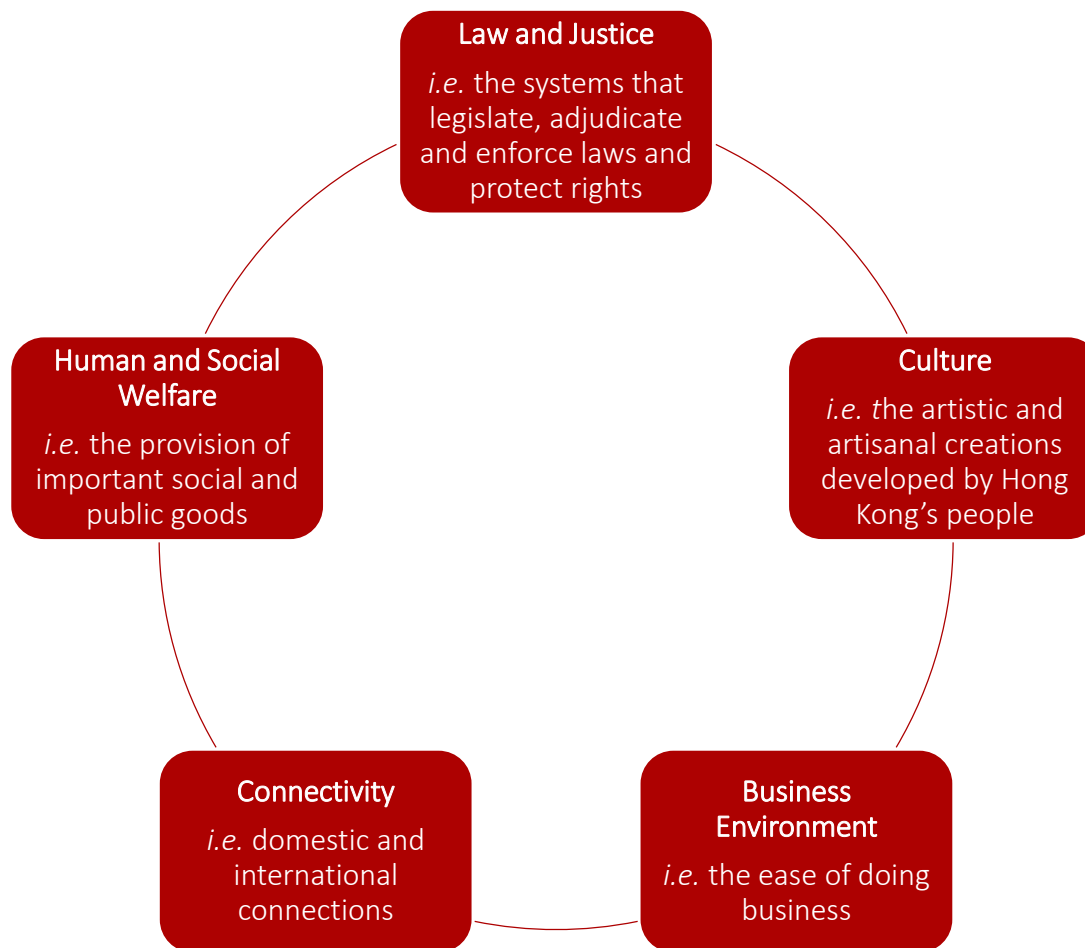
DIVERSITY (多元)

Encompassing variety, along multiple dimensions including ethnicity, ability, regions and cultures.



These are the values and features of daily life that combine to create a uniquely "Hong Kong" attitude amongst the city's residents.

The Manifestations of Hong Kong's "DNA"



The elements of Hong Kong's DNA are not visible in the real world — at least, not directly.

Instead, they are **manifested** in:

- The organisations people build
- The businesses people create
- The behaviours people exhibit

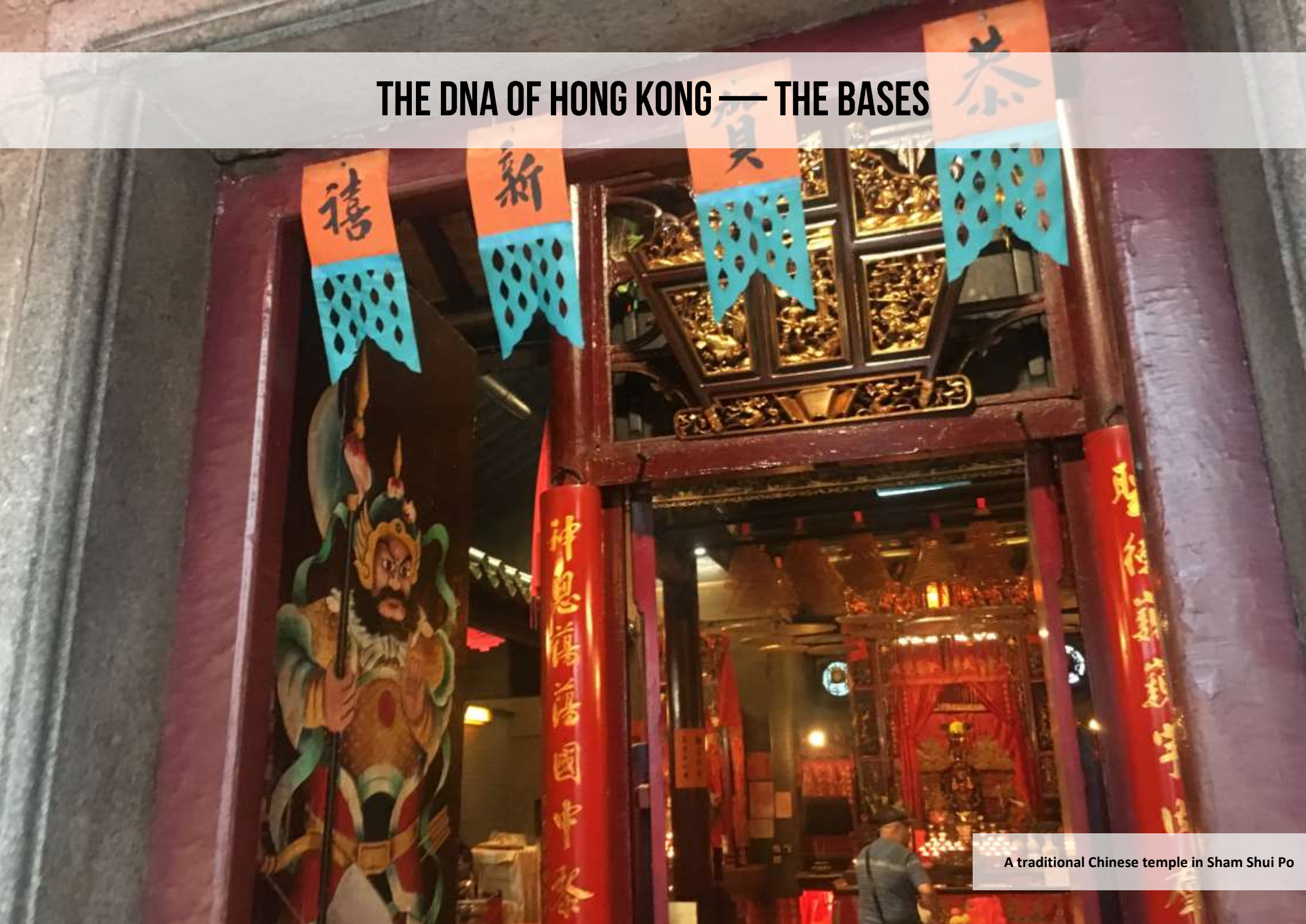
As part of the process of defining Hong Kong's DNA, these real-world characteristics were grouped into five categories: Law and Justice, Culture, Business, Connectivity, and Human and Social Welfare.

These five categories cover the wide range of activities and organisations that can be seen in Hong Kong.



These five areas show the strongest and clearest manifestations of Hong Kong's DNA.

THE DNA OF HONG KONG — THE BASES



A traditional Chinese temple in Sham Shui Po

What are the Bases of Hong Kong's DNA?



The **Bases** interact to shape the DNA of Hong Kong. Through our research, we identified five bases: **geography, history, people, institutions, and economics.**

These bases are:

Inherited — They represent the initial structural conditions that were bestowed upon Hong Kong, and thus not born from any current activity today. They are unchanging in the short-term.

Foundational — They are the starting point that influence the formation of DNA elements. They are macro-level, structural and big picture characteristics about Hong Kong. They shape the behaviour of everyday Hong Kong people.

Steady — These factors are unchanging in the short-term. In the long-term, these bases — especially **Institutions** and **Economics**, but also **People** and **History** to a lesser extent — can evolve. As behaviours and organisations persist over time, they become ingrained enough to become part of the **bases** in their own right. This feedback loop between DNA **manifestations** and DNA **bases** provides the **dynamic and cyclical basis** for Hong Kong's continuous growth and development.

These five bases provide the “structure” out of which a city's DNA emerges.

I. Geography — The Fragrant Harbour



圖 1 1961 年至 2016 年的人口及平均每年增長率
Chart 1 Population and average annual growth rate, 1961 – 2016

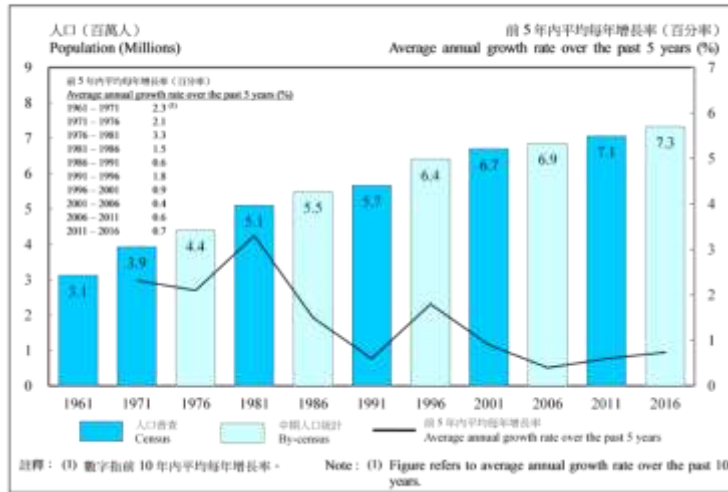


Chart from [2016 Population By-census](#)

Topography and climate

Hong Kong covers a total area of only 1,106.34 km², covering Hong Kong Island, Lantau Island, the Kowloon Peninsula, the New Territories and 262 outlying islands. Hilly terrain means that construction in much of the territory is difficult. 40% of Hong Kong's land is protected country park and nature reserve. Only 25% of the territory's land is developed.

Hong Kong also has several natural deep-water harbours, such as Victoria Harbour.

Hong Kong has a sub-tropical climate. Hong Kong has mild winters and somewhat humid summers, but is generally moderate enough to enable activity throughout the year.

Density

The combination of Hong Kong's large population (approximately 7.4 million in 2017), its small land area and its hilly terrain has encouraged the construction of a very dense urban environment. Hong Kong has both one of the highest population densities in the world (6,780 people per km²) and the largest number of skyscrapers (317 buildings over 150m in height, or taller than 45 stories).

Limited Natural Resources

Hong Kong has almost no natural resources to speak of. Almost everything that sustains its large population must thus come from outside the territory. This has ensured that Hong Kong, to survive as an urban centre, must preserve working relationships with the rest of the world.

Hong Kong's terrain encouraged the creation of a dense, high-rise city with a developed port.

I. Geography — Global Position



Map of Hong Kong from the [Hong Kong Lands Department](#)



Proximity to China

Hong Kong is part of the Pearl River Delta: an emerging megalopolis that also includes Guangzhou, Shenzhen, Dongguan, Foshan, Macau, and other cities. The World Bank predicts that the Pearl River Delta will become the world's largest urban area in terms of both size and population. Hong Kong is thus close to one of the major economic and industrial engines of China.

Proximity to Asia

Hong Kong is at a central location in Asia, acting as a hub between South Asia (i.e. India and Pakistan), Southeast Asia (i.e. the ASEAN Region), and East Asia (i.e. China, South Korea and Japan). Half the world's population and the region's major economic centres lie within a five-hour flying distance.

Global Position

Hong Kong is well-situated as a link in global networks, especially global financial networks. Hong Kong is roughly twelve hours behind the East Coast of North America (e.g. New York, Washington DC and Toronto) and six or seven hours ahead of major European cities (e.g. London, Paris and Frankfurt). Thus, Hong Kong's business day fits cleanly between North America's and Europe's.

Hong Kong is still one of the pillars of the financial and service economy – it is part of the New York, London and Hong Kong “Ny-Lon-Kong” trio that provides 24 hours of continuous services.
— **Po Chung**, Chairman of the Hong Kong Institute of Service and Leadership Management and Co-Founder of DHL International

Hong Kong is well-placed to be an integral part of Chinese, regional and global networks.

II: History – The Colonial Era

Even before Hong Kong became a British colony in 1842, foreign trade in the area (including the British opium trade) increased the population of Hong Kong from approximately 5,000 to 7,500.

Under colonial rule, Hong Kong's connections with the Western world grew, becoming a global entrepot. The British colonial government, especially in the post-war era, adopted international standards and institutions, creating a strongly identifiable blend of "East meets West".

Chaos during the Chinese Civil War and the instability during the first decades of the People's Republic of China encouraged many Chinese to escape to more stable Hong Kong. This influx of immigrants caused the population to rapidly increase from 500,000 in 1945 to 5,100,000 in 1980. These migrants brought capital, skills and culture from around China. However, massive population growth also stressed the city's social systems, encouraging the expansion of public services.

The Cold War encouraged investment in Hong Kong for another reason: the colonial British government wanted a well-functioning city to act as a counterpoint to Communist China.

From the 1960s to the 1980s, Hong Kong experienced rapid economic growth as one of the four "Asian Tigers". By the Handover in 1997, Hong Kong had transitioned from manufacturing to services, becoming one of the world's major international financial centres.



The colonial era saw Hong Kong grow from a minor fishing village to a major economy in its own right.

II: History – The Handover



In 1997, Hong Kong was returned to Chinese sovereignty, becoming a Special Administrative Region under the constitutional principle of “One Country, Two Systems.” Hong Kong was granted a high degree of autonomy under the promise that the city’s way of life would remain unchanged for fifty years.

Over this period, Hong Kong deepened its economic integration with Mainland China, starting with the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) in 2003.

Hong Kong was challenged by two external crises: the 1997 Asian Financial Crisis and the 2003 SARS epidemic. Both of these tested Hong Kong’s institutions, with repercussions for public policy and general trust in the government.

Numerous internal challenges have also emerged since 1997: the increasing cost of living, the impact of Hong Kong’s close economic ties to the Mainland, and the continued stagnation of political reform among them. These have increased uncertainty about the city’s future among parts of the city’s population.

Recent years have been dominated by discussion of the Umbrella Movement and its successor movements. Public protest is not new in Hong Kong — as the anti-Article 23 and anti-national education protests in 2003 and 2012 respectively show — but the Umbrella Movement has led to the creation of new activist movements that are pushing for radical changes to the *status quo*, especially concerning Hong Kong’s relationship with China and the city’s future after 2047.



The full extent of the relationship and linkages between China and Hong Kong are yet to be fully defined.

III. Institutions – Enablers and Protectors

Hong Kong’s governance is fostered by both formal organisations and rules, and informal norms. These shape the social, political, and economic behaviour of individuals and society as a whole, and provide **governance** over Hong Kong society.

Shaped by history, Hong Kong’s institutions across public, private, and non-profit sectors have the following characteristics:

- **Not prone to undue influence** → Institutions (including the government) are less vulnerable to corrupt behaviour or outside influence than in other countries.
- **Little room for residual power in government** → The Common Law framework provides a watertight framework for laws and regulation, leaving little room for arbitrary interpretations.
- **Designated space for private and non-profit sectors** → The activities of the private and NGO sectors are preserved in order to help provide additional governance and checks and balances.
- **High degree of autonomy** → Institutions in Hong Kong are granted the autonomy to act on their own often without the need to check in with a “higher” authority, whether inside or outside of Hong Kong.
- **Diversified and specialised** → The diversity of institutions represents a broad range of interests, issues, and technical expertise.
- **Checks and balances** → Separation of powers, combined with the potential for cross-sectoral interaction and monitoring between institutions, encourages high standards of behaviour and improved institutional competence.



Hong Kong’s institutions have bolstered the efficiency, competitiveness, and integrity of Hong Kong’s public, private, and non-profit sectors.

III. Institutions – “One Country, Two Systems”



Hong Kong’s governance is exemplified in the “One Country, Two Systems” structure. This gives Hong Kong near-complete autonomy in controlling its own affairs. This gives Hong Kong’s institutions (whether inside or outside the government) an authority unmatched in any other city, and even federal states or provinces.

Hong Kong has full legislative autonomy and no Mainland legislation is effective in Hong Kong. The city runs its own finances: no taxes are sent to the Mainland. The city has its own currency and its own set of economic and trade regulations. It also has full control over immigration, determining who has the right to live and work in Hong Kong.

Hong Kong also has a different set of civil, political and economic rights, such as its protections for free speech, free assembly, free religion and private property. It is also based on a different legal structure — the Common Law system — than the rest of China. These rights are a major reason why international companies, organisations and media outlets have set up regional headquarters in Hong Kong.

Hong Kong has some authority even in foreign affairs — nominally under the authority of the People’s Republic of China. The city is a member of numerous international organisations, such as the World Health Organisation, the World Trade Organisation and the International Olympics Committee. Hong Kong Economic and Trade Offices represent the city’s interests in the world’s major economic centres. Finally, Hong Kong has been empowered to sign its own bilateral agreements with other countries — most recently, the 2017 Free Trade Agreement with ASEAN.

Hong Kong has an ability to control its own destiny to a level not seen in any other major world city.

IV: People – Our Greatest Asset

Hong Kong's diverse population come from a wide array of differing sources:



Indigenous people and other local Chinese groups passed on their traditions of festivities, folk religions, celebrations and folk arts and handicrafts.

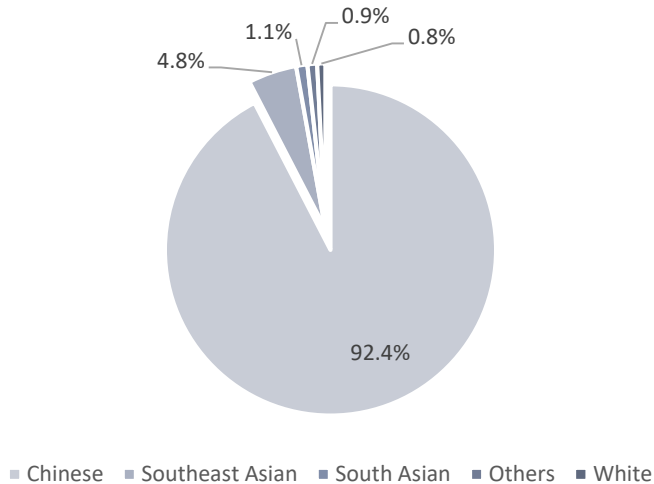


Seconded officers from the United Kingdom came to Hong Kong as civil servants, helping to form some of the initial civil service and professional services in the territory.

Chinese immigrants came to Hong Kong to seek stability and opportunities, bringing with them skills, knowledge, capital, and the spirit to overcome hardship.

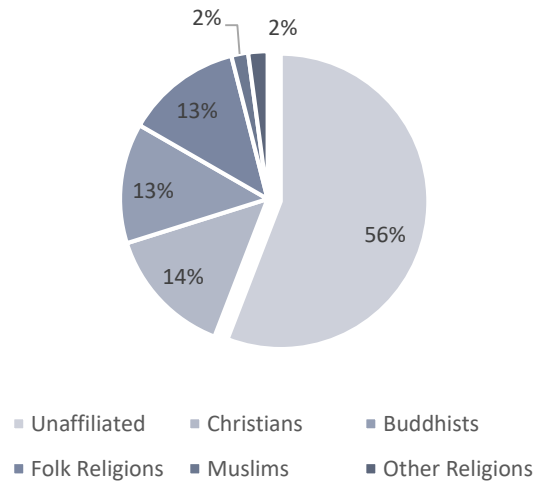
Ethnic minorities from British colonies (e.g. from India, Nepal, and Pakistan) served in special occupations, such as in the police force and as army personnel.

Ethnicity in Hong Kong



Today's Demographics

Religion in Hong Kong



Women



53% of total population
55.1% labour force participation

Education



1/3 attended tertiary education
80% attended secondary or above
96% of aged 5+ are literate in at least 1 language

Data from the [Hong Kong Statistics Department \(2016\)](#)

Data from the [Pew-Templeton Global Religious Futures Project \(2010\)](#)

Data from the [Hong Kong Statistics Department \(2016\)](#)

Hong Kong has long-standing communities, including from outside of China, who have been in the city for generations.

IV: People – Human Capital

Education

Hong Kong has invested in strong educational institutions. The city has universal primary and secondary education. The city also boasts some of the best universities in the region, such as the University of Hong Kong, the Hong Kong University of Science and Technology, and the Chinese University of Hong Kong (among others).

Hong Kong's population is fluent in both English and Chinese (in both its Cantonese and Mandarin variants). **English** connects Hong Kong with the rest of the world, through it being the global *lingua franca*. **Mandarin** allows Hong Kong to connect with the economic dynamism of Mainland China. And, finally, Hong Kong is the only city that uses **Cantonese** in any official capacity, sustaining Cantonese culture and arts.

Diversity

Hong Kong's range of cultural diversity is more complex than just "East meets West". Apart from the large Chinese majority (itself made up of Hong Kong residents and recent migrants from the Mainland), the population also includes significant numbers of Southeast Asians (i.e. Filipinos, Indonesians, and Thai), South Asians (i.e. Indians, Pakistanis and Nepalese), East Asians (i.e. Japanese and Koreans), North Americans (i.e. Canadians and Americans), and Europeans (i.e. British and French).

Each of these populations add to the cultural mix of Hong Kong by bringing new behaviours, practices, cuisines, and other important elements of the city's population.



"As with all migrant communities, the French population has grown through a combination of government policy, economic opportunity and word of mouth. 'A lot of people are finding opportunities here, more than in other parts of Asia,' says [wine importer Cristobal] Huneus, who moved to Hong Kong with his wife and children in 2011."

- Christopher DeWolf, writing in *Zolima City Magazine* about Hong Kong's French community, which has doubled in the past decade.

Hong Kong has a capable, well-educated and relatively diverse population, which helps shape the social fabric of the city.

V: Economics – Overview

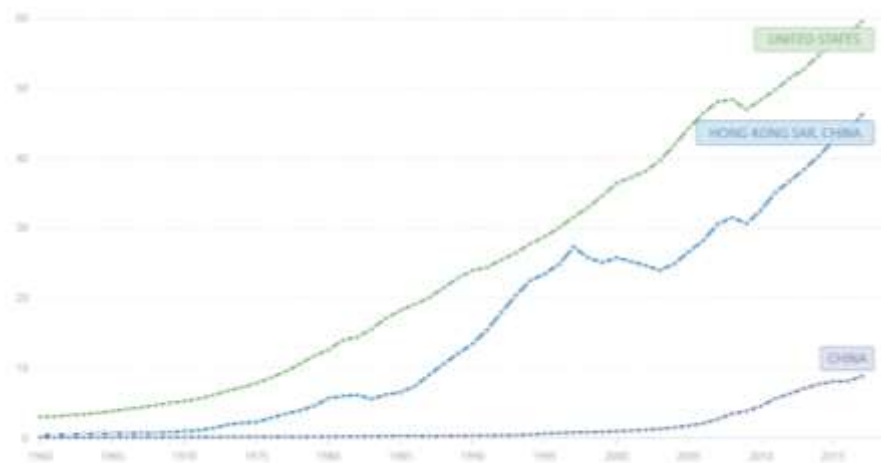
In spite of its small size, Hong Kong is one of the world’s largest economies, comparable to South Africa, Ireland or Malaysia in size. Thus, Hong Kong should be seen as a national-sized economy in itself, with all of the opportunities that comes with that.

Hong Kong’s GDP per capita currently sits at US\$46,200, one of the world’s highest. The economy is centred in a small number of sectors: trading and logistics (21.6% of GDP), financial services (17.7% of GDP) and professional services (12.5% of GDP).

Hong Kong in the 1960s was a manufacturing and light-industry focused economy. However, with China’s opening and economic reform, almost all of this manufacturing has moved to Mainland China. Hong Kong’s economy has now completed its transition to a service-based economy, with manufacturing employment plummeting from 47% in 1971 to only 3.8% in 2016. In contrast, employment in service sectors has increased from 41.3% in 1971 to 87.1% in 2016.

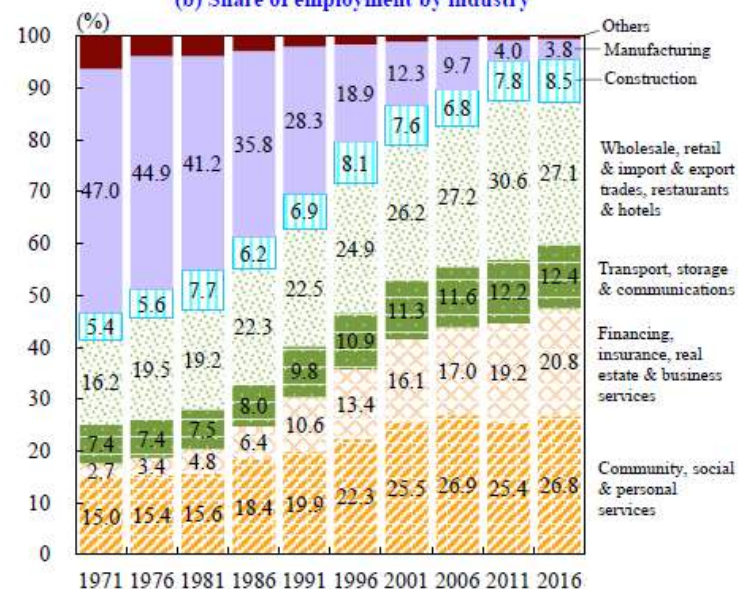
Despite its high level of human capital, strong educational institutions and easy access to finance, Hong Kong is still trying to grow a strong technology sector (unlike New York, San Francisco or Shenzhen). The Hong Kong government is currently attempting to subsidise and encourage the creation of these technology start-ups.

GDP per capita, current USD, thousands



Data from [the World Bank](#) (2017)

(b) Share of employment by industry



Hong Kong’s economic size can sustain activities and businesses too large for smaller cities (and countries).

V: Economics – Hong Kong’s Economic Philosophy

Hong Kong has been a **Gateway to China** since 1842. The British colony became the launching point for Western economic interventions (and interference) in China. While this role diminished after the creation of the People’s Republic of China, China’s later economic opening allowed Hong Kong to again become the **Gateway to China**.

As a **free port**, Hong Kong is known for facilitating the free flow of people, goods and capital. The influx of immigrants from Mainland China, who often brought skills, expertise and capital with them, led to what was called the “**Lion Rock Spirit**”, or a self-reliant, entrepreneurial spirit amongst Hong Kong’s business sector.

This free-market spirit is enshrined in the Basic Law, and preserving Hong Kong’s capitalist system was one of the factors behind the creation of the One Country, Two Systems governing structure. Hong Kong has thus followed a *laissez-faire* economic philosophy with a lean taxation system and limited regulation, making it easy for foreign investors to set up businesses. However, this philosophy has also limited further investments into the provision of public welfare and social services, and encouraged perceptions of too-close relationships between government and big business.



Hong Kong’s “free market” philosophy has guided economic policy, and thus the DNA of the city, for decades.

THE DNA OF HONG KONG — THE MANIFESTATIONS



The Jamia Mosque in Central, Hong Kong, which has existed since 1850.



CONNECTIVITY

Throughout its history, Hong Kong's unique geographical position has led it to become a hub for global activity. In numerous ways — from being a trade portal to hosting one of the world's largest stock exchanges — Hong Kong plays a central role in global interactions and transactions.

Hong Kong's lack of natural resources meant that the city always had to have strong ties with the rest of the world. This became doubly true after the rise of the People's Republic of China, which closed the border between colonial Hong Kong and the Communist Mainland.

A key anchor to this super-connector status is Hong Kong's continual role as a doorway into and out of China. Beyond this natural advantage, however, we should recognise that this success would be impossible without the city's strong bases.

Hong Kong's global position has also made it an important place for multinational companies. For organisations that operate globally 24 hours a day, Hong Kong's position between North America and Europe makes it an integral part of many companies' operations, from financial firms monitoring global markets to international media outlets providing round-the-clock coverage.

Hong Kong thus has its own connections with the rest of the world, *separate from* the country which it is now a part of. While many major cities, like London, Tokyo and New York, have this to some degree, the extent of Hong Kong's global connections are unique on the world stage.

What Makes Hong Kong a Super-Connector?

World-Class Infrastructure

Hong Kong's connectivity is supported by its world-class infrastructure, built up over the past several decades. These aid the movement of people, goods and services across international borders.

- Hong Kong's award-winning **airport** is the world's largest air cargo facility. 50% of the world's population can be accessed within a five-hour flight time.
- The Kwai Tsing Container Terminal is one of the world's top five busiest **ports**.
- The highly efficient MTR and **public transportation** network.
- State-of-the-art and low-cost **communications network**: Hong Kong is a major hub for submarine cables.
- Dependable **utilities** offered at cheap rates.

As economic integration with Mainland China deepens through initiatives like the Greater Bay Area and the Belt and Road Initiative, investment in infrastructure (e.g. the Hong Kong-Macau-Zhuhai Bridge) will likely continue.

Infrastructure allows people, goods and services to move efficiently within and outside of Hong Kong quickly and at low cost.

International Relations

As previously mentioned in this report, Hong Kong has a capacity for foreign relations unmatched by most cities and federal states/provinces.

- Hong Kong participates in international organisations under the name of "**Hong Kong, China.**" Hong Kong is a member of the International Monetary Fund, the Asian Development Bank, the Asia Infrastructure Investment Bank and the Asia Pacific Economic Cooperation.
- Hong Kong promotes its commercial interests with major trading partners through its Economic and Trade Offices. Thus, Hong Kong has **strong representation in the world's major cities.**
- Hong Kong can sign its own free-trade agreements with other countries and regions, such as the 2017 ASEAN Free Trade Agreement.
- Hong Kong offers visa-free access to citizens of over 150 countries, compared to 130 countries in Mainland China. American citizens, for example, can enter Hong Kong (but not Mainland China) without a visa.

This special status is reciprocated. Most countries treat Hong Kong as a different jurisdiction than Mainland China. Consul-Generals in Hong Kong also often report directly to the national capitals, rather than to the Embassy in Beijing.

Hong Kong has been granted the unique authority to engage with the rest of the world on its own.

What Makes Hong Kong a Super-Connector?

Global Financial Hub

Hong Kong is an integral part of the global financial network, stemming from its position between North America and Europe, its trusted regulatory standards and its proximity to major markets in Asia (especially China).

- The **Hong Kong Monetary Authority** is one of the world's most respected monetary authorities, and upholds the city's long-standing peg to the US Dollar.
- Hong Kong's efficient capital markets allow cross-border funds to flow freely and easily.
- HKEx is ranked third in global IPO fundraising, and cross-border market access is improving through the Shanghai- and Shenzhen-Hong Kong Stock Connect initiatives.
- Hong Kong is the world's largest offshore hub for Renminbi.

Many of the advantages that aided Hong Kong in becoming a global financial centre are also relevant to other industries as well. For example, Hong Kong is an important regional hub for international media.

Hong Kong's prominence as a financial hub derives from its status as both Chinese and global.

Social and Cultural Connections

We tend to focus on Hong Kong's business, economic and trade connections with the rest of the world, but the city has also fostered a number of social and cultural connections with other countries and cities.

- International social connectivity, with ease of sharing global core values (e.g. freedom of expression and freedom of the media).
- High labour mobility due to qualified labour schemes, high living and working standards, stable and secure social welfare.
- Global educational systems and programmes enhance global experience and values.
- Ethnic minority populations are growing in Hong Kong, and new cultural industries and organisations are free to set up in the city.
- Chinese migration grew and spread globally from the mid-19th century. Hong Kong culture began to form a strong linkage for the Chinese diaspora all around the world, resulting in a positive impact on economic, religious and culture exchange.

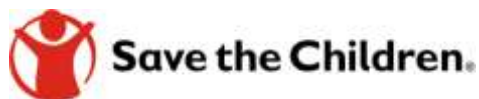
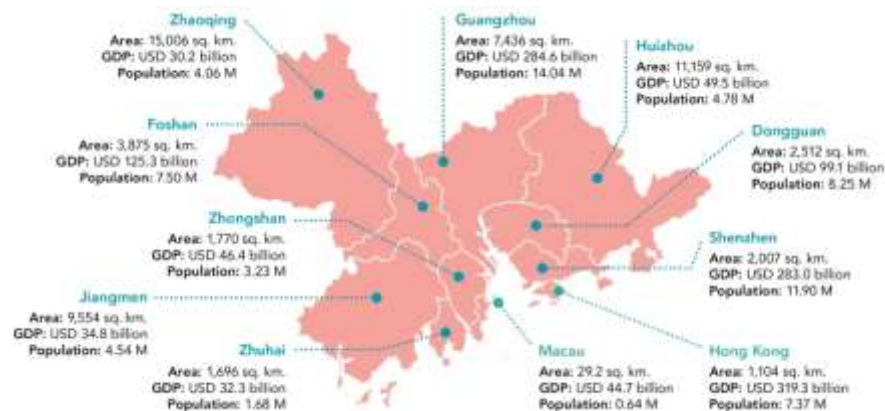
These cultural and social connections can be just as, if not more, important to ordinary Hong Kong people.

Examples

The Greater Bay Area (GBA)

Set to be fully implemented by 2022, the GBA will combine the eleven urban economies of the Pearl River Delta. Hong Kong will likely lead the GBA as an integrated economic and business hub. Integrating Hong Kong into this single market will also make the city more attractive to technology companies and start-ups, who require large markets to achieve scale.

The GBA would also connect with the **Belt and Road Initiative**, which would link Hong Kong with the wider global infrastructure investment market. Hong Kong could become the go-to source of finance, expertise and managerial services to Belt and Road projects in the region and beyond.



International Non-Governmental Organisations

We normally think of connectivity in terms of business and economic links, but it spans to other parts of society as well. One of these is civil society and the non-profit sector: Hong Kong's traits have made it an attractive hub for with a social mission in Hong Kong, China and the wider region.

250 International Non-Governmental Organisations are based in Hong Kong, 150 of which were established after 1997. This diversity would not be possibly without the city's convenient geographic location and connections to the wide region.

Connectivity is what allows Hong Kong to “punch above its weight” despite its small size.

LAW AND JUSTICE



The rule of law is considered one of Hong Kong's greatest strengths, especially when compared to other cities in China and elsewhere in the region. It is also seen to be core to the city's identity.

The importance placed on law and justice in Hong Kong represents the values and perceptions of the people. Law is the system of rules created to regulate the behaviour of society. Justice refers to an understanding of right and wrong promoted by Hong Kong's people, which is manifested in large part by the rule of law. What Hong Kong people consider right and wrong, and what they consider to be fair, is a manifestation of the city's DNA.

The basis of Hong Kong's law is the Basic Law, which came into force following the Handover from the United Kingdom to China in 1997. Often called the city's *de facto* constitution, it acts the foundation for Hong Kong's legislation and governance, and thus for the city's rule of law.

However, Hong Kong people also hold a sense of justice distinct from the law. When there is a disconnect between the law and how people understand justice, Hong Kong people pursue justice through other channels. Whether this is through civil society, activism, the city's vibrant media scene, or public protest, Hong Kong's population work to create a fairer city.

Hong Kong's people, in some respects, thus have a dual nature. On the one hand, there is great respect for legal authority, such as the court system, the civil service and the police force. On the other hand, Hong Kong people often have strong opinions about the city and its government.

This dichotomy represents a core part of Hong Kong's DNA.

Factors Contributing to Respect for the Law and the Pursuit of Justice

The origins of Hong Kong's sense of right and wrong: East meets West

The majority of Hong Kong people are ethnically Chinese, and thus influenced by Chinese philosophical thought. One especially influential body of thought includes the concept that “the feeling of right or wrong (是非之心) is the beginning of wisdom”. An innate sense of right and wrong has been taught for thousands of years through Chinese civic institutions, and has therefore been imprinted on Hong Kong people's thoughts, forming part of their personal guiding principles.

Owing to Hong Kong's colonial heritage, Western values have also influenced how Hong Kong people understand justice, such as protections for individual freedoms and a focus on equality and fairness as civic values.

For example, traditional Chinese society often placed men before women. However, gender equality – an adopted value – prevails in Hong Kong. One of the milestones of advocating gender equality was the introduction of compulsory nine-year free education in 1978, which provided education opportunities for both sexes in Hong Kong.



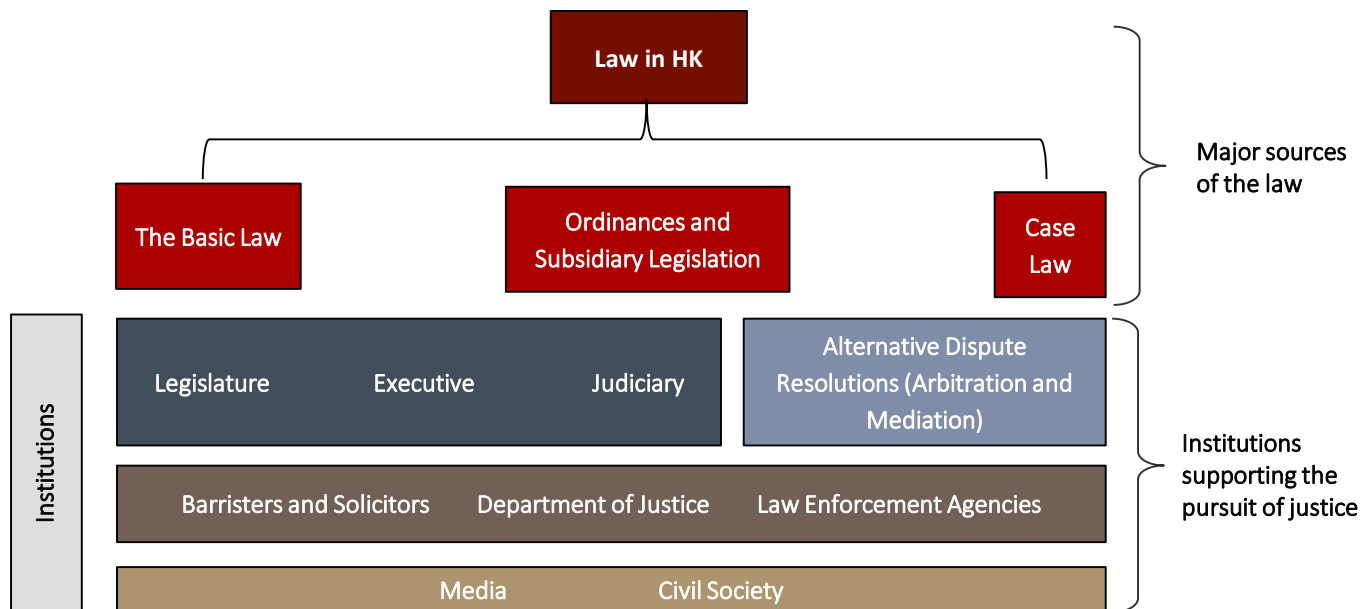
Hong Kong's sense of “the respect for the law and the pursuit of justice” has both Chinese and Western roots.

Factors Contributing to Respect for the Law and the Pursuit of Justice

The **rule of law** refers to some of the fundamental principles of law that govern the way in which the power is exercised in society – thereby preserving a sense of rightness and fairness. These characteristics include:

- Judicial independence
- Clean governance
- Equality before the law
- Due process and transparency
- Speedy proceedings
- Accessibility and affordability
- Effective investigation and enforcement
- Legal predictability
- Judicial review of legislation

The following diagram depicts how **Law and Justice** is pursued in Hong Kong.



92.7% of respondents strongly agreed or agreed that the **'rule of law'** is a core value of Hong Kong.
– 2014 Survey on Hong Kong People's Core Values, CUHK

Public perceptions ranked Hong Kong 16th worldwide (ahead of the United States) and 4th in the Asia-Pacific in terms of adherence to the rule of law.
– 2017-18 Rule of Law Index by the World Justice Project

Hong Kong has inherited legal frameworks, institutions, and values from both its Chinese history and British colonial past.

Other Roads to Justice

While law and justice are related, they are not interchangeable. There are times when the law is not sufficient to achieve just ends. From land disputes between villages and the government to the rise of income inequality, Hong Kong people sometimes turn to other ways to support the pursuit of justice.

These different mechanisms to achieve justice are important examples of the political and civic awareness of Hong Kong's population — and thus are important indicators of Hong Kong's DNA.



Civil Society

Civil society helps to promote social justice when they cannot be easily resolved by Hong Kong's legal system. These organisations advocate for causes by actively engaging business, government and the media to drive policy changes.

Judicial Review

Hong Kong higher courts can invalidate legislation if it violates the Basic Law or the rights it protects. Unfair and unequal laws and regulations can also be struck down.

Alternative Dispute Resolution

The high level of legal expertise in Hong Kong means that alternate dispute resolutions systems, such as arbitration and mediation, are also possible in Hong Kong. These can achieve justice in a business or organisational context, rather than an individual one.

Political Activism and Public Protest

The protection of civil-political rights encourages Hong Kong people to lobby for political change. In other words, when there is a disconnect between law and justice, Hong Kong people push to change the law.

When Hong Kong people feel a disconnect between justice and the law, they can pursue justice through other avenues.

Examples

Intellectual Property (IP) Rights Protection

Hong Kong's legal system offers strong legal protection for intellectual property. The Hong Kong government is granted the authority to manage the granting of IP protections in the Basic Law (much like other constitutions around the world). Hong Kong's laws also match international standards set by the World Trade Organisation.

IP protection is an example of how the "rule of law" covers more than just the concept of "justice". Intellectual property is not normally considered something connected with "justice", yet the legal system sees it as part of its responsibility in order to fulfil a social good for Hong Kong: allowing creators to have their work protected, and thus help them earn a living from their work.



知識產權署
Intellectual Property Department



Wang Chau housing saga

The Wang Chau housing saga is an example of how Hong Kong people tried to pursue justice when legal recourses were not available. A housing project planned in Wang Chau attracted criticism when the government admitted it approved building 4,000 flats over three villages instead of building 13,000 flats on a larger nearby brownfield site.

Villagers pledged to protest the move, refusing to leave the premises. These moves, combined with intense media and political scrutiny, led the government to *de facto* suspend the project: despite the deadline for construction having passed, the project has yet to begin. The controversy also prompted the government to initiate a comprehensive study on all brownfield sites across Hong Kong and their usage.

The rule of law, Hong Kong's sense of justice, and the interaction between the two help reveal the motivations of Hong Kong people.



BUSINESS ENVIRONMENT

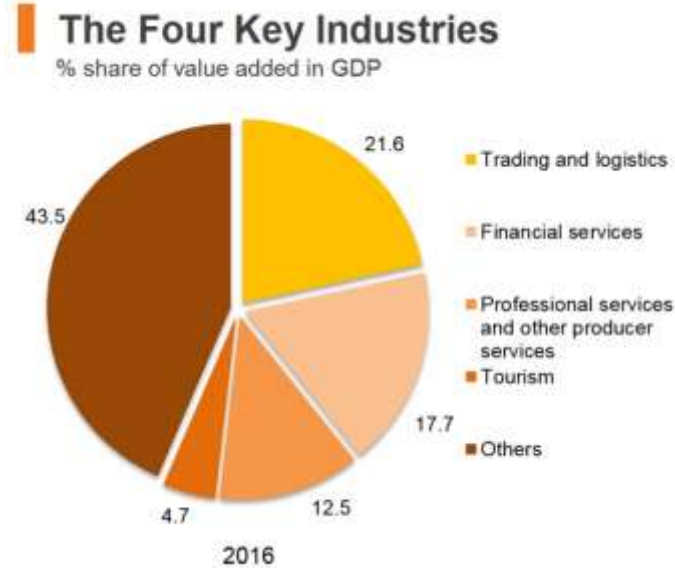
Hong Kong is often portrayed as a bustling centre for businesses, large and small. Hong Kong scores highly on indices measuring economic freedom, ease of doing business, and global competitiveness.

This has perhaps been reflected in Hong Kong's very strong economy. Even after the 2008 Global Financial Crisis, Hong Kong has had strong economic performance. Hong Kong's GDP has doubled since 2004. Median household income has increased by over 60% over the last decade. Hong Kong hosts the most multinational corporations in the region, with almost 3,000 operating and over 1,400 setting up their regional headquarters in the city.

As of March 2018, there were over 330,000 small- and medium-sized enterprises in Hong Kong, providing jobs to about 1.3 million people, or about 45% of total private sector employment.

However, a reliance on the services sector, particularly the finance industry, and the failure to provide well-paying jobs across the board have fostered social tensions. In addition, Hong Kong's small- and medium-sized enterprises are suffering from increased costs, such as the increasing cost of land. Finally, many sectors in Hong Kong are dominated by a small number of large businesses, which limits competition and makes the creation of new companies more difficult.

Hong Kong's Business Environment



Data from [HKTDC](#)

While MNCs are enjoying Hong Kong's strong economy, many local SMEs are struggling to make a living. With soaring property prices and increasing labour costs, many SMEs expressed serious concerns over whether their operations still made business sense. MNCs can more easily absorb these increased costs.

Despite these challenges, more Hong Kong people do perceive opportunities for new businesses in the city, likely due to the current strength of the economy.

Hong Kong's economy is focused on a few key industries: import and export, real estate, finance and professional services.

Hong Kong places few restrictions on business. It is very easy to set up a new company or business, with registration only taking a matter of days. The city has a simple tax structure, with low rates on business profits and no taxes on capital gains. Apart from a few industries (e.g. banking or telecoms), there are no limits on foreign ownership.

Hong Kong passed a competition law in 2012, which finally came into full effect in December 2015. As many segments in Hong Kong, such as construction, are dominated by a relatively small number of firms, increased anti-trust enforcement may have a significant effect on the economy.

Indicator	2009	2016
Early-stage entrepreneurial activity among HK adults	3.64%	9.44%
Percentage with entrepreneurial intentions	7.3%	19.7%
Percentage who perceive entrepreneurial opportunities in Hong Kong	19.3%	56.8%

From the [CUHK Global Entrepreneurship 2016 Report](#)

Despite high economic growth, significant cost-of-business remain (or are emerging) for smaller companies

From “The Gateway to China” to “The Window for China”

China’s economy, with a GDP of US\$11.2 trillion, makes up about 18% of the global economy. In 1997, Hong Kong’s GDP was 18% of China’s; now, it is less than 3%. This has challenged the role that Hong Kong has played vis-à-vis China over the past thirty years.

Hong Kong’s pillar industries, such as finance and logistics, are also facing competition from some leading cities in China. Three Chinese cities are now ranked higher than Hong Kong in total handling volume of the cargo terminals.

The nearby city of Shenzhen has achieved an economic milestone with a 2.24 trillion Yuan GDP mark with 8.8% growth rate in 2017, surpassing Hong Kong (2.15 trillion Yuan, 3.7% growth in 2017) for the first time in history. Shenzhen has also heavily invested in both its technology sector and its infrastructure, integrating state-of-the-art technologies not yet used in Hong Kong.

Because of Hong Kong’s limited market size, approximately 33% of SMEs in Hong Kong are planning to expand to foreign markets. Of these, 62% of enterprises wanted to expand to Mainland China, with a further 32% and 25% wanting to expand to Southeast Asia and the United States respectively. Approximately 56% of Hong Kong people have expressed their willingness to move overseas for a job.

China’s rise has also led Hong Kong to be overly focused on China, perhaps to the exclusion of other regions. Although the city is empowered to sign free trade agreements with other nations, Hong Kong has been relatively slow to pursue new trade agreements. For example, the city only signed a free trade agreement with ASEAN in 2017, whereas China signed a similar agreement fifteen years earlier in 2002. Hong Kong does not have trade agreements with many of the world’s major economies in Asia or the Americas.

Region	Sub-region	% of interested SME’s among total population interested in expansion
Mainland China	Greater Bay Area	31%
	Top-tier cities (Beijing, Shanghai, etc.)	20%
	BRI cities	4%
Southeast Asia		32%
United States		25%

Data from [Standard Chartered SME Index \(2018\)](#)

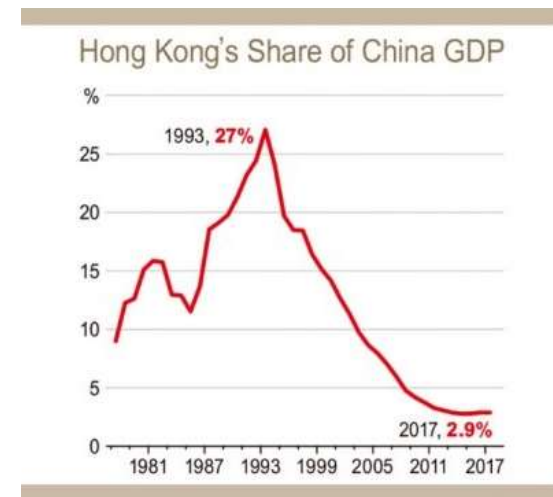


Chart from [EJ Insight \(2017\)](#)

Hong Kong’s role in Mainland China’s economy will be forced to change as China grows and develops its own financial and trading centres.

Example

Innovation and Technology

The Hong Kong government has announced plans to invest in the city's technology sector, creating the Innovation Bureau and doubling spending in research and development from 0.73% to 1.5% of GDP. The government has also launched a HK\$50 billion investment scheme to boost tech development in Hong Kong, with a focus area in biotechnology, artificial intelligence and fintech.

This initiative has been supported by the private sector, with the growth of numerous incubators, accelerators, venture capital firms and co-working spaces. Between 2015 and 2016, the number of tech start-ups grew by 24% and tech employment grew by 41%.

However, the city's innovation sector remains relatively small, which is generally portrayed as a major weakness. Compared to cities in North America, Europe and China, Hong Kong has limited financing available for early-stage start-ups. There is also an under-supply of local talent, with limited local education in either entrepreneurial or technology/digital skills. In addition, Hong Kong's immigration system has made it difficult for programming talent from several regions, such as South Asia or Eastern Europe, to move to Hong Kong.

Hong Kong's proximity to China is both an asset and challenge for the technology sector. The size of China's economy will help Hong Kong-based start-ups achieve scale, while Southern China's sophisticated manufacturing base allows new products to be produced cheaply.

However, start-ups may choose to set up in China *instead* of Hong Kong, due to its closer proximity to the Chinese market and lower business costs.



From [StartMeUpHK](#)

Hong Kong needs its own version of start-up development, rather than just emulating what other cities have done.

CULTURE

Culture, while frequently invoked, is not easy to define. The United Nations Educational, Scientific and Cultural Organisation broadly defines culture as the **common beliefs, values, customs, language, behaviour, rituals and objects** of a social group.

Others adopt a more narrow definition, considering activities like literature, dance, music, drama and visual arts as culture, as they reflect the common values and aesthetic inclinations of a community. Others further restrict culture to the **high arts**: the art enjoyed by elites.

Globalisation has made sustaining cultural diversity challenging as the same features can increasingly be found all over the world. It is important to preserve a city's character which form a people's collective memory and cultural identity. In other words, the sense of belonging to a place. It is also important to respect the characteristics that makes each city distinctive.

Hong Kong is often dismissed as a "cultural wasteland," but this ignores the myriad sources of culture that pervade the city. Hong Kong combines the culture of Southern China and the indigenous community with the culture of those that moved to Hong Kong, whether they were British, South Asian, Southeast Asian, or from other locations.

Although physically small, Hong Kong is so **rich in culture** that there are 480 examples of intangible cultural heritage, 117 declared monuments and 123 Grade 1,2 and 3 historic buildings. Hong Kong is such a walkable city that people can see many cultural features within a short distance.



A Snapshot of Hong Kong Popular Culture (1/2)

Music

Cantopop in the 1970s found a following amongst Hong Kong's local population and Chinese communities who resided in Malaysia and Singapore. **Hong Kong's television programmes also gained rapid recognition with Chinese people living in different parts of the world, which in turn provided Cantopop music a global audience.** Thus, Cantopop burst into the international music arena, covering songs about life, philosophy, love and society, transforming Cantopop singers into music icons.

The influence of Cantopop continued into the mid-1990s. However, **the advent of the 2000s and with it new technology, including mobile phones and music websites have changed the way people listen to music.** The Cantopop record market fell from HKD17 billion in 1997 to HKD0.56 billion in 2006. Music tastes have instead shifted to popular culture from other Asian countries.

Cinema

Since the early 20th century, **Hong Kong has been a gateway for international films into Mainland China.** During the 1950s, companies like Great Wall, MP & GI, and Shaw Brothers established their bases in Hong Kong. This cinematic phenomenon, however, began to decline in the 1990s. Talent drained as filmmakers moved to Europe, the US and the Mainland in search of better opportunities.

The absence of large film companies gave birth to a **pool of independent filmmakers and local talent** in Hong Kong. Local filmmakers **do not have sufficient investment and the workforce** necessary to improve film quality. Audiences have massively shifted towards Western cinema. With a shortage of local investment, **Hong Kong filmmakers have turned to Mainland investors.** Although these co-productions provide opportunities to enter the Mainland market, such movies are restricted by the socio-cultural context in China. In the short run these co-productions can keep the essence of Hong Kong's cinema alive. However, **in the long term these co-productions may fail to fully represent the culture, freedom of ideas and spirit of the city.**



A Snapshot of Hong Kong Popular Culture (2/2)

Art

Hong Kong has in recent years expanded its focus on arts and aims to become a cultural hub like New York and London. The territory boasts many **new art galleries, exhibitions and festivals**.

Hong Kong has also worked towards **revitalising its old architecture, and recreating it as cultural and art centres**. In 2018, the abandoned Central Police Station called Hollywood Road Police Married Quarters, formally opened as the Tai Kwun Centre for Heritage and Arts.

Hong Kong's rising art presence on the international stage seems to have overshadowed some of its existing heritage, which is now in danger of dying out. Well known for its **hand-painted porcelain** in the 20th century, this art form is diminishing with limited artisans keeping it alive. The first hand-painted porcelain factory was established in 1928, and produced finely painted ginger jars, cups, plant pots, dishes and vases.

Food

Hong Kong is now considered an international culinary capital, with thousands of restaurants featuring a blend of Western and Eastern cuisines. **As an international entrepôt it has always absorbed and adapted foreign cuisines to local tastes**.

In the 1960s, outdoor food stalls, or “**Dai Pai Dong**”, serving inexpensive Cantonese dishes to a local population with relatively low income was the popular dining choice. There were hundreds of food stalls registered under a licensing system until the 1970s, when the government built cooked-food centres to house food stall owners and improve hygiene and cleanliness conditions on the streets. Today, there are only 28 Dai Pai Dong vendors left in Hong Kong.

To keep up with the broad trends of new-wave Asian cuisine, the **new generation of Cantonese chefs with a more international perspective are redefining traditional dining experiences**. Modern takes on traditional dim sum and Cantonese dishes are pushing boundaries, while still anchored in tradition, keeping in line with Hong Kong's appetite for traditional dishes with a difference.



Hong Kong's small size masks a varied cultural landscape.

Examples

Sham Shui Po

Sham Shui Po is one of Hong Kong's poorest, but also densest and most vibrant, districts. The area has largely avoided the development and re-development seen in other locations. On the one hand, this has allowed unsafe and unhealthy living arrangements (i.e. cage homes). On the other hand, it has also fostered a great deal of "bottom-up" cultural development and heritage preservation.

The community is keen to preserve traditional businesses, and organisations in the area have tried to share and publicise stories from the community. The **YWCA Sham Shui Po Integrated Service Centre** launched "10 Stories, 100 Pieces" which tells the stories of local businesses.

Other companies and institutions have cooperated to both preserve and generate cultural works. Sham Shui Po's MTR station features art installations from the nearby Savannah Centre for Arts and Design, itself located in the rehabilitated North Kowloon Magistracy, a Grade 2 History Building.

The Hong Kong Youth Arts Foundation, sponsored by the Standard Chartered Bank Community Foundation, has encouraged the creation of artwork on local stores' shutter doors, and promoted them through a mobile application and guided tours.



Hong Kong needs to find room for more bottom-up cultural development, and elevate those cultural projects that do well.



HUMAN WELFARE

Human welfare, and the quality of life for Hong Kong residents, could be split into six categories: **Housing, Education, Healthcare, Social Security, Environment, and Life Quality.**

Hong Kong, despite its reputation as a *laissez-faire* economy, has actually provided a great deal of public services for the population. The city has one of the highest rates of public housing occupancy in the world (almost 50%). Public healthcare is relatively cheap, and universal primary and secondary education is provided. Hong Kong's Human Development Index is 0.917: the twelfth-highest in the world.

The Hong Kong government throughout the 2018-19 budgetary year plans to spend **HK\$311 billion**, or **56%** of its total expenditure, on Education, Healthcare, Social Welfare, and Food and Environment.

However, many in Hong Kong hold the belief that quality of life is stagnating, or even diminishing, perhaps motivated by increasing cost of living or the city's income gap, which is the world's widest. The city provides extremely limited support for those in poverty, leading to stubbornly high poverty rates in spite of the city's affluence.

Finally, the government has not allotted more resources to human welfare initiatives over the past several decades, even as Hong Kong's population has grown. This has stretched resources and increased strain on Hong Kong's provision of public services.

V: Human and Social Welfare – Overview (1/2)

Housing

Public housing is an important part of Hong Kong's human welfare. **48%** of the population lives in public or subsidised housing.

However, housing remains one of the city's most pressing issues. The **median multiple** was **19.4** in 2017, topping the world, and far ahead of Sydney which was second place at 12.9. The **Housing affordability index** rose to **67%**, meaning that 67% of household income is spent on mortgages. Skyrocketing housing prices negatively affects livelihood and quality of life, throttles innovation and industry development, and hampers commercial development excluding the property sector.

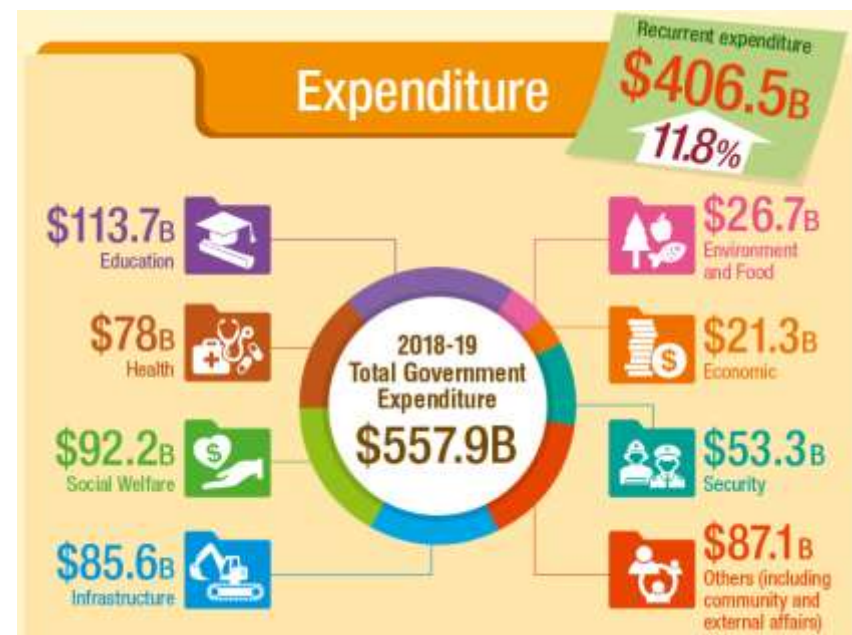
Education System

Hong Kong offers **free fifteen-year education** from kindergarten to secondary school. Hong Kong's education institutions include public schools, direct subsidy schools, private schools, international schools and special schools.

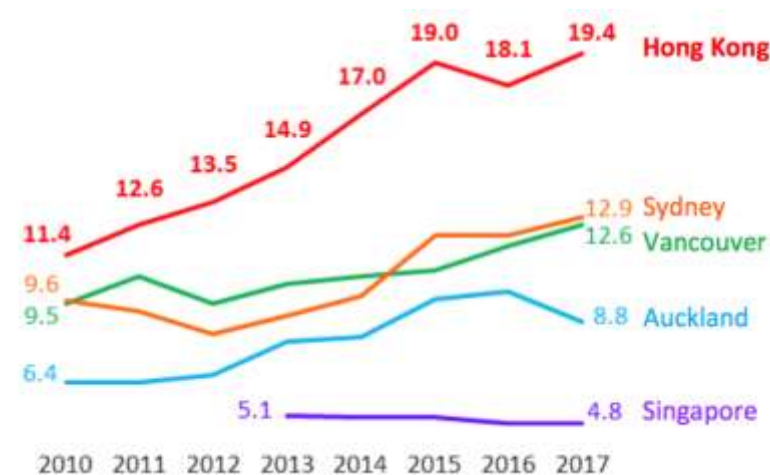
However, the education system has garnered criticism. Key issues include the effectiveness of bilingual/trilingual education, and how much resources in local schools are needed to best teach students. Parents and schools also place **high expectations on students**, which can lead to mental-health issues. Finally, some note that Hong Kong's education system has failed to nurture talent for the future, with not enough focus on career development or critical thinking skills.

Social Security

Hong Kong's welfare system is budget-driven rather than purpose-driven. Due to its economic philosophy, it is inclined to distribute resources through the free market rather than by government services. Around **20%** of the population lives under the poverty line.



From the [Hong Kong Government's 2018-19 Budget](#)



From the [Research Office of the Legislative Council Secretariat](#)

Human and Social Welfare: Overview (2/2)

Healthcare

Hong Kong's healthcare system is one of the world's most efficient. The city has the longest life expectancy at 81.7 years for men and 87.7 years for women. The comprehensive range of medical and health services is provided by the public and private sector, and is characterised by **high out-of-pocket expenditure** for the patients in the private sector. Hong Kong's healthcare system is one of the world's **most cost effective** in terms of expenditure as a percentage of GDP. However, Hong Kong has a **low number of medical practitioners** at only 1.9 per 1000 people (compared to Singapore 3.0).

Environment, Food and Water

40% of Hong Kong's land is preserved as **country park** or **natural reserves**. Living space, fauna and flora are controlled under:

- Town Planning Ordinance to control the green belt zone.
- Buildings Ordinance to control development density, minimum open space, green building.
- Legislation on control of noise, waste, water and sewage.
- Animals and plants (Protection of Endangered Species Ordinance).

Hong Kong's **water and food supplies** are among the safest in the world. Water from Dongjiang (70-80%) and local catchment (20-30%) are reliable sources. Food available for human consumption are known to be safe, hygienic and properly labelled by the Food and Environmental Health Department.



Hong Kong provides more social welfare than people often believe, but much less than what it could provide, given its resources.

Examples

Elderly Housing

As Hong Kong's population ages, new infrastructure and services will need to be developed to serve the growing elderly population. One of Hong Kong's largest public housing providers, the Hong Kong Housing Society, has built housing developments aimed at senior citizens.

These developments are targeted at "financially-independent" middle-class senior citizens, and provide comprehensive one-stop care and medical support services. It also provides a wide array of cultural and recreational activities, which help to keep elderly residents occupied and part of a wider community.

This initiative was supported by the Hong Kong Government, who heavily subsidised the development by offering a very low land premium of HK\$1000. The apartments also sold at below-market prices. Thus, the development has attracted significant interest, with an extremely long waiting list for apartments.

However, the Hong Kong Housing Society's developments, while affordable for their income segment, are still broadly unaffordable for those below middle-class. Nor are current developments enough to fulfil middle-class demand. Given that the rate of elderly poverty in Hong Kong is currently 30%, the city needs to do more to help Hong Kong's elderly population.



Providing social welfare, especially in the face of changing social conditions, requires efforts from both the government and civil society.

Hong Kong in Motion: How Manifestations Interact

As demonstrated in the above section, the interaction of bases has substantively shaped the nature of the Business Environment, Law and Justice, Culture, Connectivity, and Human and Social Welfare. However, none of these areas can evolve in a linear or isolated manner – they form an ecosystem whereby they influence each other, and in turn, can also influence the bases.

The table below gives a few examples of how manifestations might interact with each other.

	Connectivity	Law and Justice	Business	Culture
Law and Justice	Hong Kong’s highly-developed connections with the rest of the world means that the city can turn to foreign jurisdictions, legal interpretations, and policy frameworks to help it solve certain problems.			
Business	Hong Kong’s high-quality infrastructure has helped the city’s start-up scene. Start-up founders have noted that it is far easier to meet investors, suppliers and clients in Hong Kong due to good public transportation.	Strong protections for civil, political and property rights have encouraged foreign organisations and companies to set up in Hong Kong. For example, global media companies are attracted by Hong Kong’s strong free-speech protections.		
Culture	The growth of Hong Kong’s food culture, especially high-end and fusion cuisine, is supported both by Hong Kong’s diverse cultural influences and the ease of sourcing regional and global ingredients.	Relatively strong protections for intellectual property (especially compared to elsewhere in the region) encourage cultural institutions to register works in Hong Kong.	Hong Kong has an increasingly thriving commercial art scene. The ease of doing business and ready access to financing has encouraged the city to become an arts hub for China and the rest of Asia.	
Human Welfare	Hong Kong’s global connectivity allows its social institutions to also have a global presence. For example, both HKU and HKUST attract global students and academics, which in turn improves the quality of higher education.	Hong Kong’s awareness of justice and its legal protections provide avenues for ordinary Hong Kong people to challenge poor and discriminatory living conditions in either the public or the legal spheres.	Hong Kong’s high standard of living has made the city an attractive place for people to work, which helps businesses attract talent from overseas. Increasingly, talent is moving to Hong Kong of their own initiative, rather than being brought over by companies.	Cultural activities are an integral part of human welfare in Hong Kong, especially with regards to the young and the elderly. Spaces to allow these populations to engage with cultural and artistic activities are seen as an important contributor to their quality of life.

THE DNA OF HONG KONG



Street art created by residents of Sham Shui Po

Extracting the DNA of Hong Kong

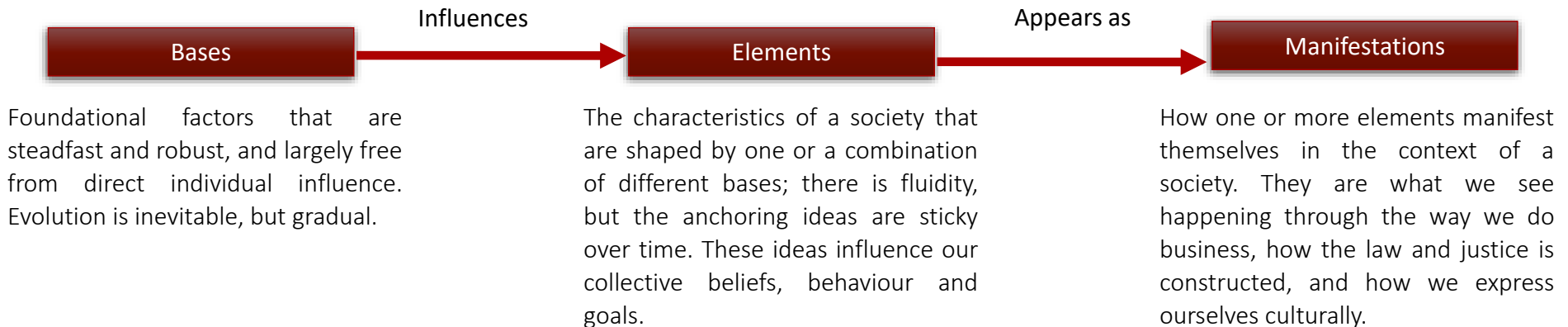
In previous chapters, we explored Hong Kong's visible characteristics.

The **bases** are the foundational and structural factors that shape Hong Kong's identity, from its advantageous **geography**, its rich **history** and the mix of **people** who came to seek opportunities, who in turn built Hong Kong's vibrant **economy** and strong **institutions**.

The **manifestations** are the visible examples of how Hong Kong operates in the physical world, in the actual actions that people take and the institutions and organisations they build.

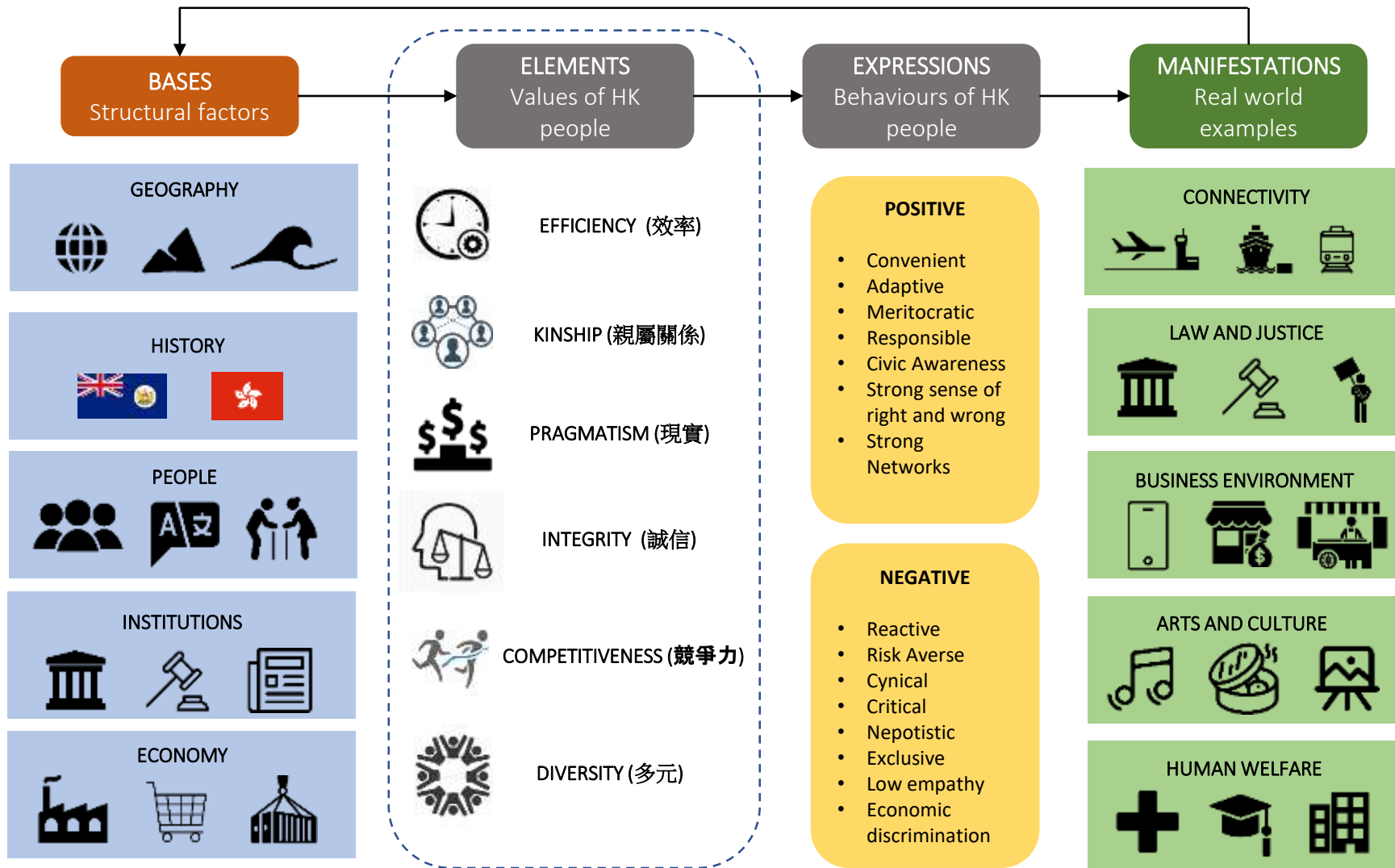
This report is aiming to uncover the vital link between the **bases** and the **manifestations**. These are the elements of our DNA: the values people hold that combine to create a uniquely Hong Kong attitude.

The Basic Framework for the DNA of a place



Uncovering the invisible aspects of Hong Kong people.

The DNA of Hong Kong



The DNA elements of efficiency, pragmatism, competitiveness, kinship, integrity and diversity make up the mindset that defines Hong Kong.

DNA Elements: Efficiency and Kinship

Efficiency

The ability to do things well, successfully, and without unnecessary excess.

Hong Kong's population is both efficient and accustomed to efficiency. In general, things in Hong Kong "work". Essential services in the city are rarely disrupted. Processes and applications in the city, especially when it comes to business, are also much shorter and straightforward than equivalent processes in other cities.

Efficiency also contributes to civic awareness in Hong Kong. People are consistently focused on how they can improve the operations of the city.

The flip-side of this civic awareness, however, can be overly-critical reactions when issues are found, which can complicate the political process of reaching a solution.

This can also lead to a lack of awareness of the structures that support the city's efficiency, and a lack of empathy for the people and organisations that work in these structures. For example, Hong Kong people are not conscious of the waste and sewage treatment structures that account for their waste, despite the fact that these systems have contributed to Hong Kong's high quality of life. Thus, efficiency has contributed to an "out of sight, out of mind" mentality.

效率

Kinship

A commitment to relationships between members of the same family or close-knit group.

Hong Kong places more importance on the family than other advanced cities, especially in the West. Parents invest in their children, going as far as to help pay for homes, in exchange for support when parents grow old. These elderly family members — now grandparents — then provide childcare to their grandchildren to allow their children to work full-time.

Thus, these familial obligations often cover for social services sometimes found in Western cities (e.g. free childcare).

The importance of kinship is reflected in Hong Kong's high rate of intergenerational lending. Parents routinely see themselves investing in assets for their children. This has become especially prevalent in today's housing market, where several parents are helping their children purchase homes for themselves.

Kinship has its downsides. Family obligations and expectations on the next generation has placed undue stress on young people, and limited their career options to well-paying professional careers (i.e. doctors, lawyers, and accountants).

Changing demographics also interacts with kinship. The original familial contract was that children would care for their parents, but decreasing numbers of young people have made this arrangement increasingly untenable.

親屬關係

DNA Elements: Pragmatism and Integrity

Pragmatism

Viewing all things and situations in terms of practical uses, value and success.

Hong Kong people are pragmatic, in that they view situations through their practical impact on their standard of living.

Hong Kong's business environment, and the drive among many in Hong Kong to improve their own situation means that Hong Kong's large SME sector is fostered by this pragmatism.

However, this can lead to risk- and loss-aversion. Pragmatism can lead to short-term thinking: that because a certain path was practical in the past, it will be practical in the future. As circumstances change drastically, however, this view may paradoxically lead to worse outcomes in the future.

現實

Integrity

Being honest and having strong moral principles, or moral uprightness, which builds in trust in people, organisations and institutions.

Hong Kong people have strong moral principles, expressed through strong legal and ethical standards.

From being a city known for corruption and organised crime in the Sixties and Seventies, Hong Kong has since become a role model for clean governance and law enforcement. Integrity and high levels of trust are also a source for Hong Kong people's civic and political awareness, which in turn supports the city's vibrant media scene.

There are two potential downsides to Hong Kong's strong sense of integrity. The first is over-bureaucratisation. The need to ensure that standards are followed could lead to more checks and stages being added to certain processes. The need to do things "properly" can thus slow down important decisions. This can lead to frustration when this clashes with Hong Kong's **efficiency**.

Another downside is low empathy for those who hold different values, and a lack of openness to different perspectives. In particular, Hong Kong has lagged behind other advanced cities, and even some cities in Asia, in passing certain anti-discrimination legislation.

There is also a great deal of **economic discrimination**: ill-feelings towards those worse-off in society.

誠信

DNA Elements: Competitiveness and Diversity

Competitiveness

The desire to be more successful than others.

Hong Kong people strive to be more successful than their peers, whether between different people, different local businesses, a Hong Kong company and its international competitors, or Hong Kong and other global cities.

This has led to high-quality business, service, and cultural products. Even in just the past decade, Hong Kong has grown both a global art market and a high-quality food culture from scratch.

However, sometimes this competitiveness has led to myopia and insularity. Hong Kong, for example, consistently compares itself to Singapore and Shanghai, due to their overtaking Hong Kong in its traditional strengths of logistics and finance, respectively. Rather than develop a new niche for the city, Hong Kong people consistently worry about how to regain their lost status.

On a more individual level, competitiveness also leads to undue stress. Students routinely express concern that they are falling behind their peers, and thus work harder to compensate. This has repercussions for their mental health.

競爭力

Diversity

Encompassing variety, along multiple dimensions including ethnicity, ability, regions and cultures.

Hong Kong is made up of a variety of different cultures and nationalities. Hong Kong people are thus able to draw from a variety of different influences with ease.

In addition, Hong Kong is tolerant of others, allowing people to largely live their lives without hassle or harassment. This is a major difference from other Asian cities, which at best may tolerate different lifestyles only in explicitly foreign enclaves.

It should be noted that tolerance is not the same as acceptance. While there are few explicitly discriminatory regulations in Hong Kong (which is a positive shift from the colonial era), ethnic and religious minorities, women and LGBTQ people still face discrimination in Hong Kong.

Hong Kong's majority may adopt a "live and let live" attitude, where those of differing lifestyles are allowed to live their lives as they choose. However, there may be little drive to truly understand how these differing lifestyles and perspectives.

多元

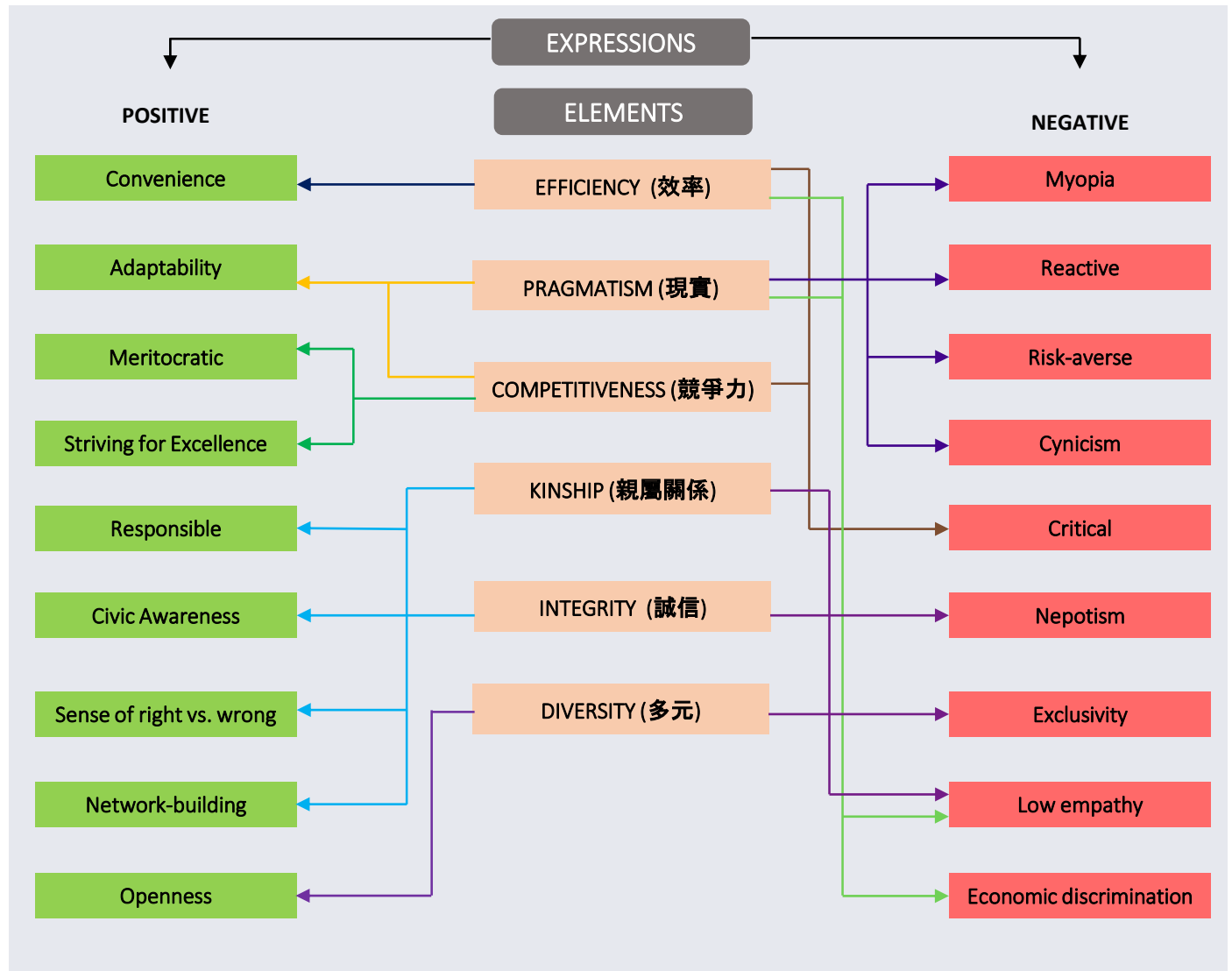
Expressing the DNA

Elements are values held by Hong Kong people, but these values are **expressed** as certain behaviours.

It is important to note that these DNA expressions are not always positive. Several elements of our DNA can be expressed in ways that are ultimately harmful to people and societies. In addition, certain elements and expressions may be positive when viewed in isolation, but can lead to negative results when they interact with each other.

For example:

- **Pragmatism** can lead to loss- and risk-aversion, which can hamper innovation both in terms of business and public policy.
- A strict but narrowly-defined sense of **integrity** can lead to **low empathy** for those who do not follow these principles.
- **Efficiency** and **integrity** can interact in negative ways. The Hong Kong public wants problems to be handled as quickly as possible, yet governing bodies want to adhere to existing processes and standards, which ultimately takes time. This disconnect can lead to **frustration** with the government.



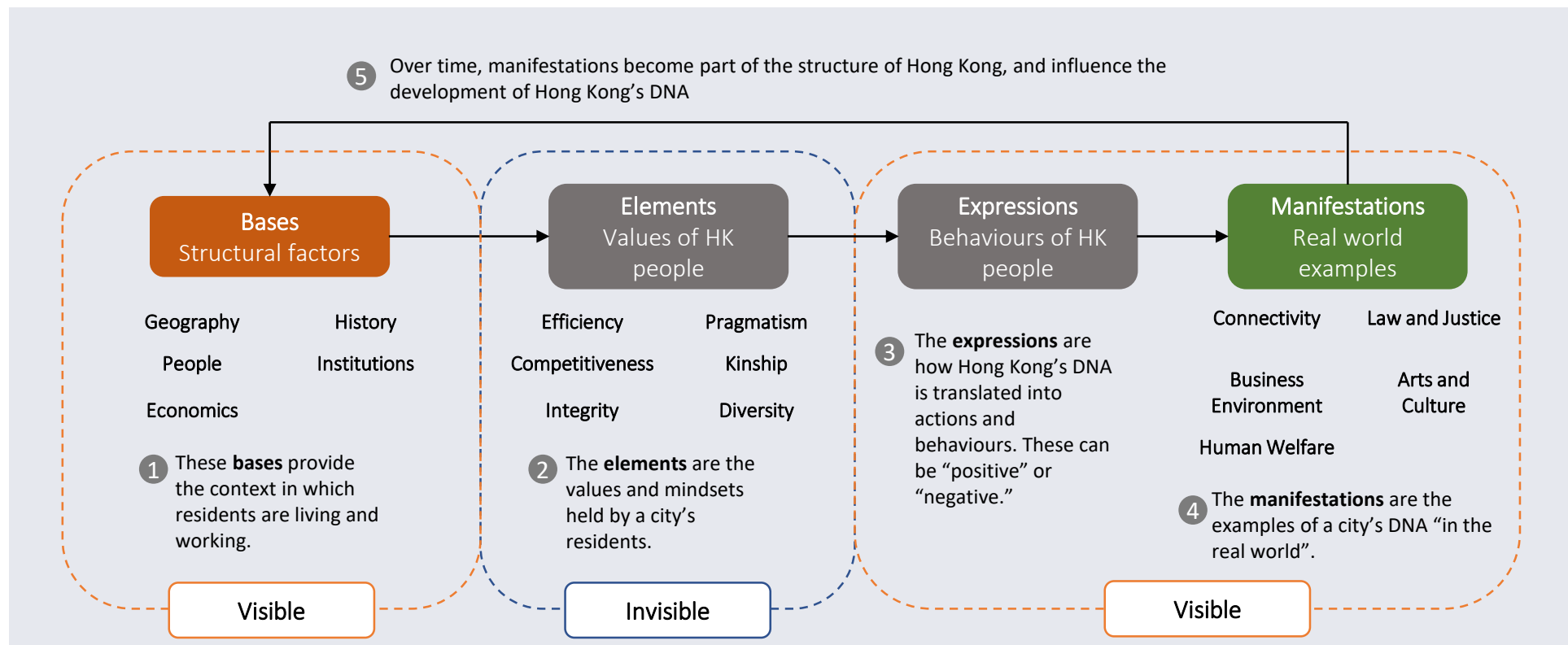
Expressions, whether derived from one element or from the interaction between elements, can be positive or negative.

Reinforcing Feedback

The DNA model is not a purely linear model. **Manifestations**, in the long-term, start to be ingrained in Hong Kong's social structures, influencing, or even becoming, **bases** themselves.

For example, the creation of the "One Country, Two Systems" governing structure was originally an outcome of Hong Kong's DNA. Hong Kong's colonial history and differing institutions created a blended mix of values in Hong Kong residents, which eventually manifested in the governing bodies of an autonomous Hong Kong. However, over time, these governing bodies now help influence the values and mindsets of Hong Kong's people.

In this way, the model highlights the **feedback loop** of how our collective beliefs, actions and behaviour could reshape the very fabric of our society.



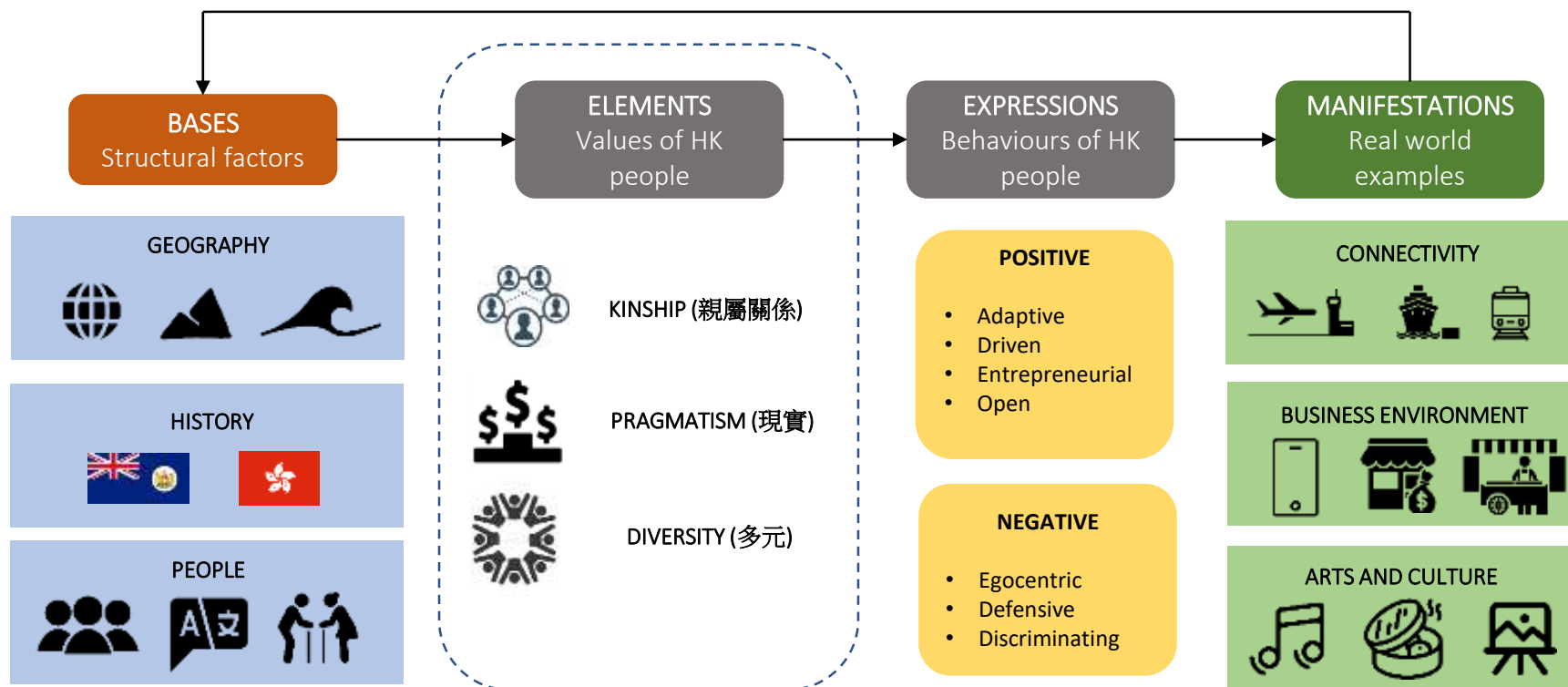
In the long-term, manifestations can start to shape Hong Kong's DNA themselves. This is most clear with the Institutions and Economics bases.

A Study over Time

Here is an example of how the cycle works.

In the early years of the colonial period, Hong Kong's population increased due to increased migration from China. However, the British elite had official and unofficial policies of discrimination against local Chinese, and so migrants gravitated towards close-knit groups united by home region and dialect. That being said, these populations were the underpinning of a highly-driven and entrepreneurial society that was the foundation of Hong Kong's currently vibrant business environment. These early tensions were also crucial in forcing social progress: in the war period, they drove the establishment and improvement of social welfare systems and governing institutions that increasingly reflected local Chinese interests, creating the cohesive society we see today.

The iterations of this feedback loop contributed to the evolution of Hong Kong's DNA over time, and nurtured elements that we identify with today – for example our strong sense of integrity and trustworthiness.



Hong Kong's history provides several examples of the feedback loop between bases, DNA elements, and manifestations.

ILLUSTRATIVE EXAMPLES



HKYLP participants visit the Sha Tin Sewage Treatment Facility

Model in Action – Establishing a Robust Framework

A robust DNA model should provide the framework with which to analyse and distil different scenarios, opportunities and challenges over time. In the coming chapter, we study 5 different scenarios, each within the 5 areas of manifestations, to explore the development of these institutions and issues over time.

Through these examples, we illustrate how the interplay of Elements and Expressions influence outcomes in Manifestations, which then get fed back to impact the Bases. We demonstrate how this feedback loop can cause expectations and reactions to evolve.

Manifestations	Illustrative Examples
Connectivity	MTR
Law and Justice	ICAC
Human and Social Welfare	Elderly Housing
Business	Small-to-Medium Enterprises Multinational Companies
Culture	Tourism

The report presents these examples from their origins to the present day and (in some cases) into the future, using the framework of **bases, elements, expressions** and **manifestations**. Visualisations using the DNA model are provided.

The following examples show how Hong Kong's DNA lead to the city's unique characteristics.



CONNECTIVITY SHOWCASE: MTR

The MTR is one of the most competitive and iconic businesses in Hong Kong, and it is a key part of our highly efficient and effective society. MTR is one of the most competitive and iconic businesses in Hong Kong, and a key part of our highly efficient and effective society.

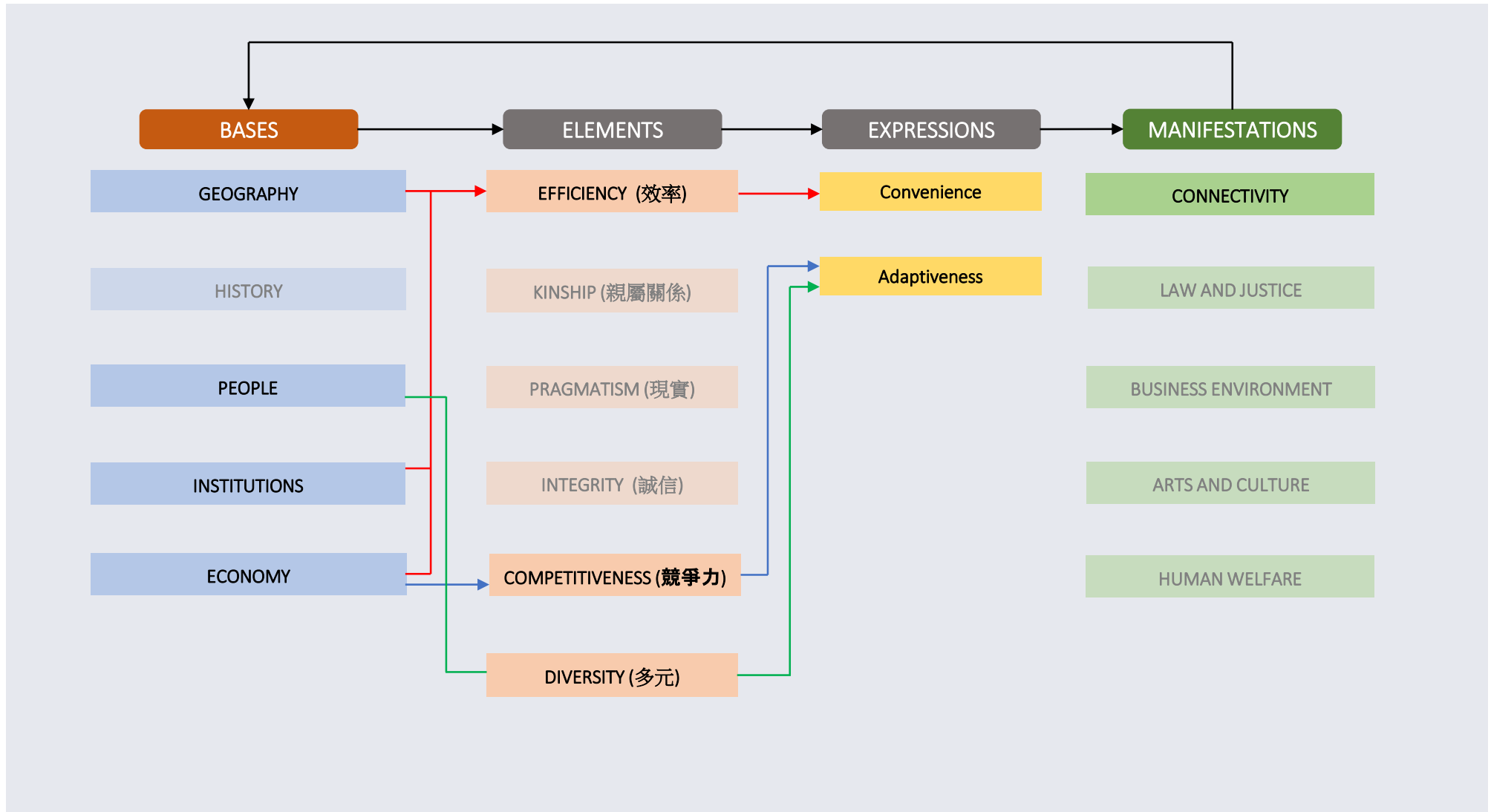
Bases — Built in the 1970s, the MTR was proposed as a way to support the city's **economic** growth and expanding **population**, and reduce congestion on the city's roads. The city's small **geography** allowed such a system to be efficient and competitive.

DNA Elements — The initial development was an engineering feat. The construction team was extremely **diverse** (with initial staff coming from abroad). The project displayed the **efficiency** and global **competitiveness** of Hong Kong.

Expressions — The MTR project was an ambitious and far-reaching investment project that showcased how Hong Kong expressed its DNA: global **adaptability**, **openness** and a constant **striving for excellence**. It formed the roots of why Hong Kong is considered one of the most **convenient and efficient** cities in the world to live in.

Manifestations — The MTR is part of Hong Kong's world-class infrastructure, and is a core component of Hong Kong's domestic **connectivity**.

MTR: The Origins



The origin story of the MTR showcases some of Hong Kong's best traits, and are a key cornerstone of the city's advantages in Connectivity.

What Does MTR Mean to Hong Kong Now?

The MTR is a core part of Hong Kong, remaining a proud example of **efficiency** and **competitiveness**. However, as its influence continues to rise, its direct and indirect impact on society has also changed. **Civic awareness** around the MTR's role, operations and impact has grown alongside the MTR. While the MTR still compares favourably to mass transit operators in almost every major city, the company has come under criticism in recent years.

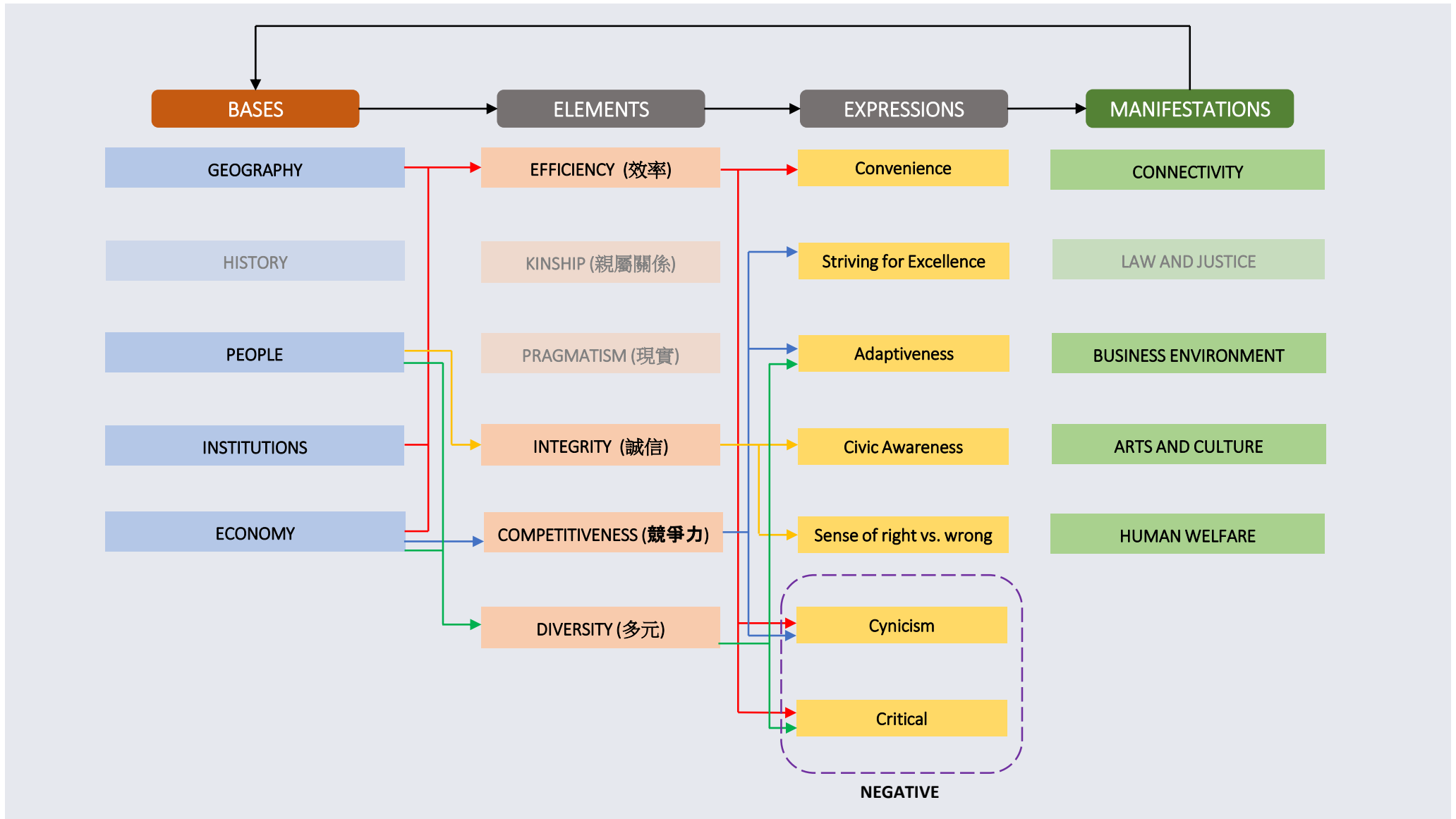
Today, less than a third of the MTR's revenue comes from transportation. Instead, most comes from property development and management. Access to an MTR station now dictates local land and property values. These cost pressures have led to concerns about **cultural commercialisation** and **human welfare** from soaring home prices and **economic discrimination**.

However, the MTR has also proactively invested in **arts and culture**, as well as community projects. The MTR also commits to strong stakeholder engagement, which is an impressive model for other Hong Kong companies.



The MTR is now more than just a provider of public transportation to become an integral part of the city — with positive and negative impacts.

How MTR has Evolved Over Time



The MTR is now part of Hong Kong's very foundation, and continues to shape parts of our DNA.



LAW AND JUSTICE SHOWCASE: THE ICAC

The Independent Commission Against Corruption (ICAC) was established in 1974 to fight corruption in Hong Kong via a three-pronged approach of law enforcement, education and prevention.

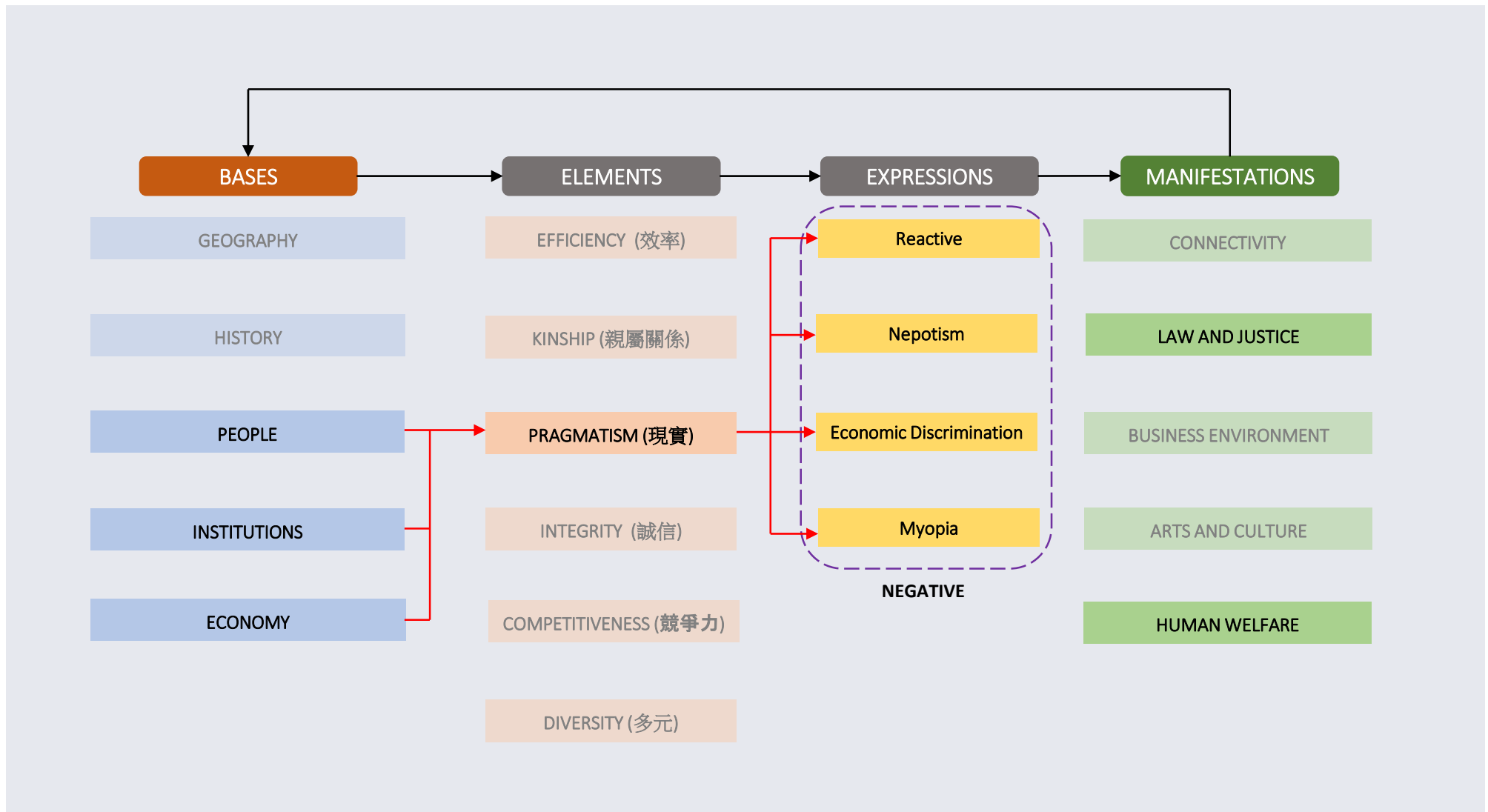
Bases — During the 1960s and 1970s, civil servants and citizens alike had an implicit understanding that taking the “backdoor route” (i.e. bribery and kickbacks) were an effective way to earn a living. Socioeconomic inequality led to public agitation for anti-corruption measures, which finally led to the Anti-Corruption Law of 1974.

DNA Elements — The **pragmatism** of Hong Kong people combined with competition for scarce resources and economic constraints to make corruption a real social problem in Hong Kong by the early 1970s. However, **integrity** also encouraged people to agitate for anti-corruption measures. This **integrity** has since been institutionalised in the ICAC.

Expressions — Prior to the ICAC, **pragmatism** resulted in myopic and reactive behaviour. Nepotism among civil servants was not uncommon. However, over the past forty years, the ICAC has fostered more positive expressions of **responsibility** and **striving for excellence** amongst businesses. Hong Kong people in turn also have an increased sense of **civic awareness** surrounding corruption.

Manifestations — The ICAC is a landmark institution that has contributed to the creation and maintenance of a trustworthy, efficient, and favourable **business environment**. It also filled an institutional gap in the pursuit of **justice**, and promoted **human welfare** in the city.

The ICAC: Origins



Facing scarce resources and with few independent protections, Hong Kong people relied on pragmatism to secure basic services.

What Does the ICAC Mean to Hong Kong Now?

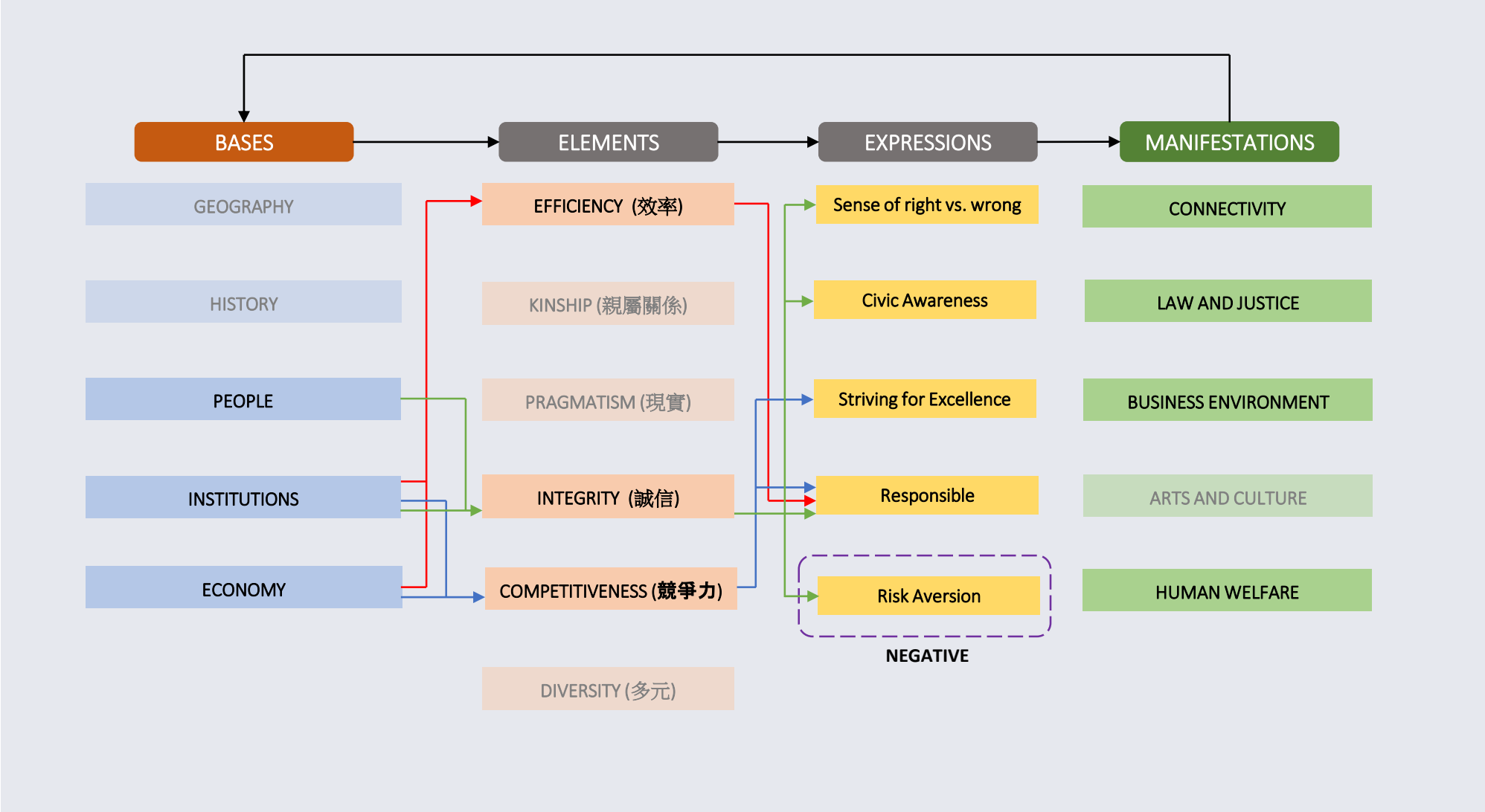
The ICAC's remit covers activities across all sectors, including business, government and civil society. The formation of the independent institution has contributed substantively to the business environment, connectivity, law and justice, and human and social welfare. The ICAC reflects a new yet enduring core value of Hong Kong's people: **an appreciation for clean governance and business**. Thus:

- Hong Kong ranks fifth worldwide as one of the “easiest places to do business” (World Bank's 2017 Doing Business report).
- It also ranks as the world's thirteenth least corrupt place (Corruption Perceptions Index 2017). Hong Kong has consistently been one of the twenty-least corrupt economies since the Index was launched in 1995.



The ICAC represents a point of pride for the city.

How the ICAC has Evolved Over Time



The establishment of the ICAC bolstered the ethical standards and level of trust Hong Kong people had in its institutions.



BUSINESS ENVIRONMENT SHOWCASE: MNC'S

Hong Kong is the largest host of multinational corporations (MNCs) in the region, with over 3,000 global companies setting up offices here. Several of these offices are China or regional headquarters. Hong Kong also acts as the hub for many companies looking into China, from digital firms like Google and Facebook to global media outlets like CNN, the New York Times and Time Magazine.

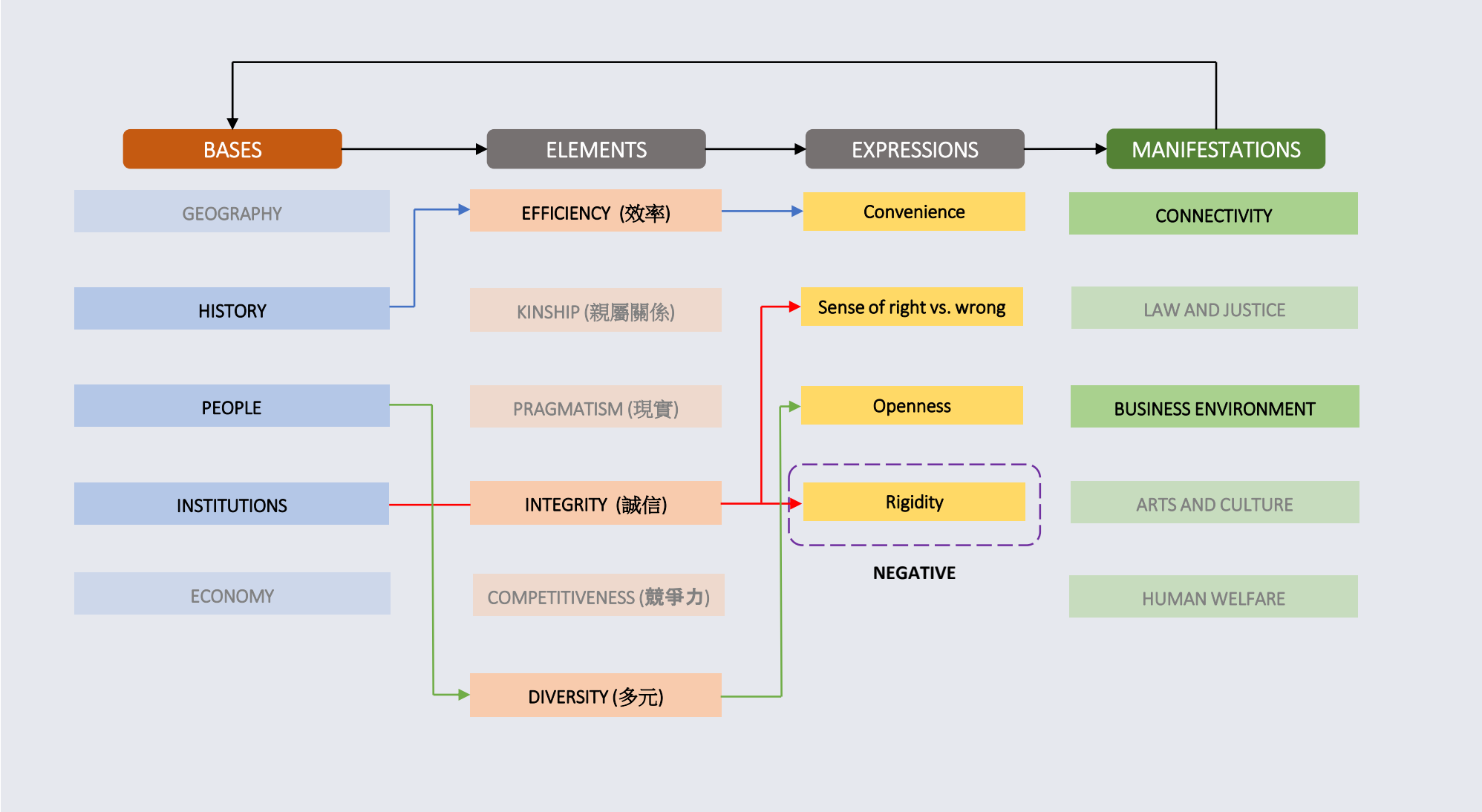
Bases — Both Hong Kong's colonial history and its former role as a freeport attracted a diverse group of talented **people**, and also built a strong **institutional** foundation.

DNA Elements — The **efficiency** and **integrity** of Hong Kong people have attracted many of these global companies to set up here.

Expressions — Efficient public services and well-developed communication and banking infrastructure make it convenient to operate a business in Hong Kong. **Integrity** means that people have a strong sense of right and wrong, but this same mentality sometimes leads to **rigidity**.

Manifestations — Hong Kong's open culture and its strong infrastructure make it easy to connect with cultures and people from around the world, contributing to a vibrant economy.

Multinational Corporations



Strong institutions, high legal standards and efficient infrastructure, have attracted numerous global companies to set up in Hong Kong.

Business Environment Showcase: Small-to-Medium Enterprises (SMEs)

Despite the media and popular prominence of multinational corporations, and even just Hong Kong's big businesses in general, much of Hong Kong's economy is driven by small- and medium-sized enterprises. Both their owners and the customers span all income segments in Hong Kong, from the stall owner serving a low-income population in Sham Shui Po to the former finance professional opening a new hotspot in Soho. Several of these SMEs are family-based, with parents hoping to eventually pass the business on to their children.

Another under-appreciated quality is how well Hong Kong serves as a platform for SMEs to scale-up. Companies that aim to scale-up and go global have many advantages when they choose Hong Kong as their home base.

SMEs also fit into how we understand Hong Kong's DNA, though highlighting different elements and expressions than their larger multi-national counterparts.

Bases — Small- and Medium-sized enterprises are the backbone of Hong Kong's economy. 330,000 SMEs account for 98% of Hong Kong's total business, providing job opportunities to about 1.3 million **people**.

DNA Elements — The capitalist economy has encouraged a sense of **pragmatism** and **efficiency** among SMEs to stay competitive. Many SMEs are self-financed, and run by **families**.

Expressions — The flexibility and **adaptiveness** of SMEs allowed them to reposition themselves quickly in response to changes in the market. The SMEs strive for **excellence** in their chosen field. However, these firms can sometimes lead to **risk aversion**. Family-run enterprises can also be exclusive, limiting non-family members from contributing to these businesses.

Manifestations — SME's make up a key component of Hong Kong's **economy**, contributing to the city's overall growth.

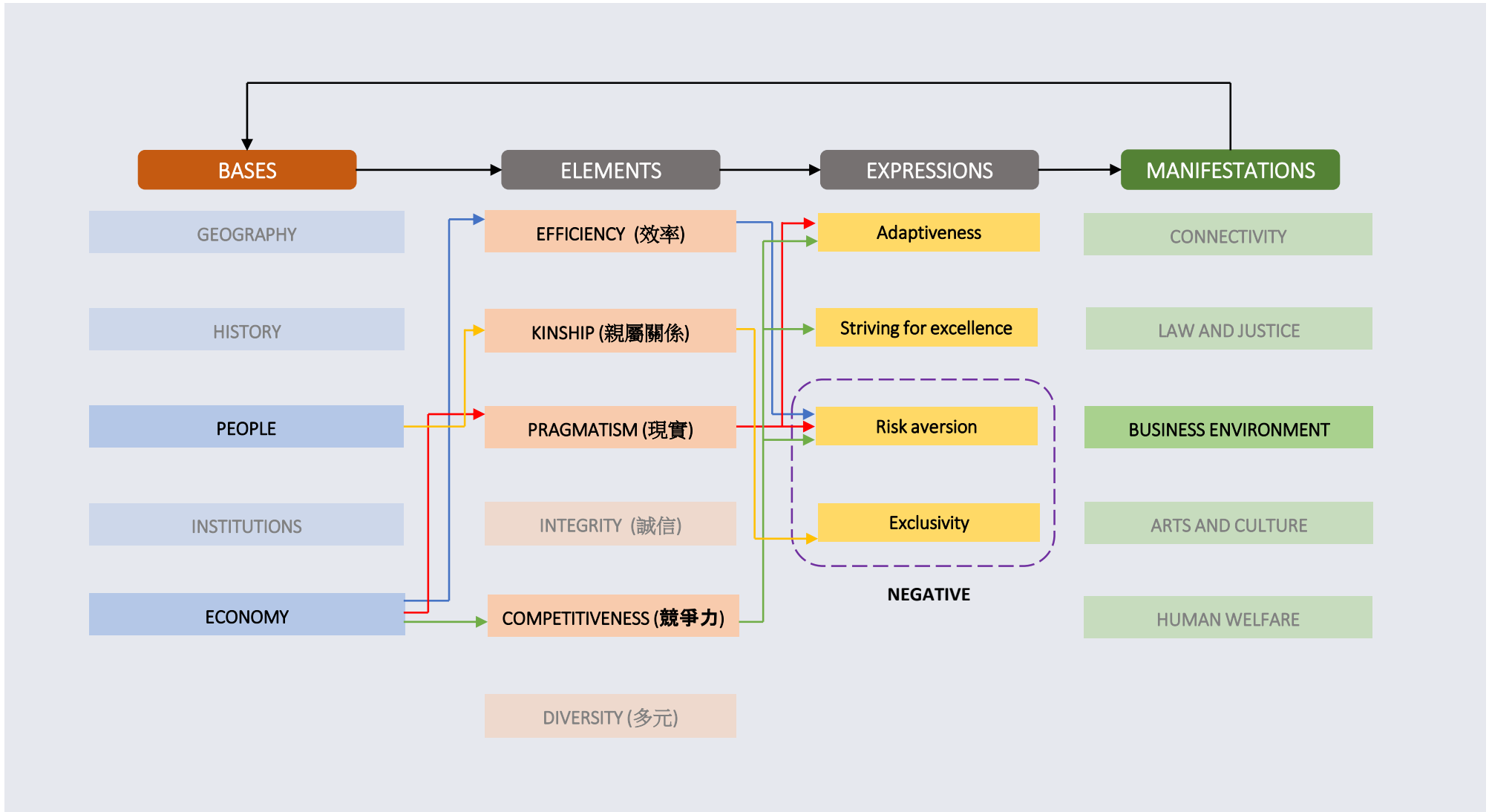


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SMEs survive due to their adaptability and competitiveness, but are sometimes hampered by risk-aversion and family-based model.



Local SMEs, the backbone of Hong Kong's economy, embody the DNA elements of efficiency, pragmatism, and competitiveness.



CULTURE SHOWCASE: TOURISM

Tourism is one of Hong Kong's four key industries, alongside finance, trading/logistics, and professional services. Hong Kong has routinely been one of the world's most visited cities in Euromonitor International's annual survey. To rejuvenate the economy after 1997 and 2003, the Hong Kong government decided to further develop the local tourism industry. The multiple-entry endorsement policy led to a significant influx of visitors from Mainland China, which transformed the tourism sector.

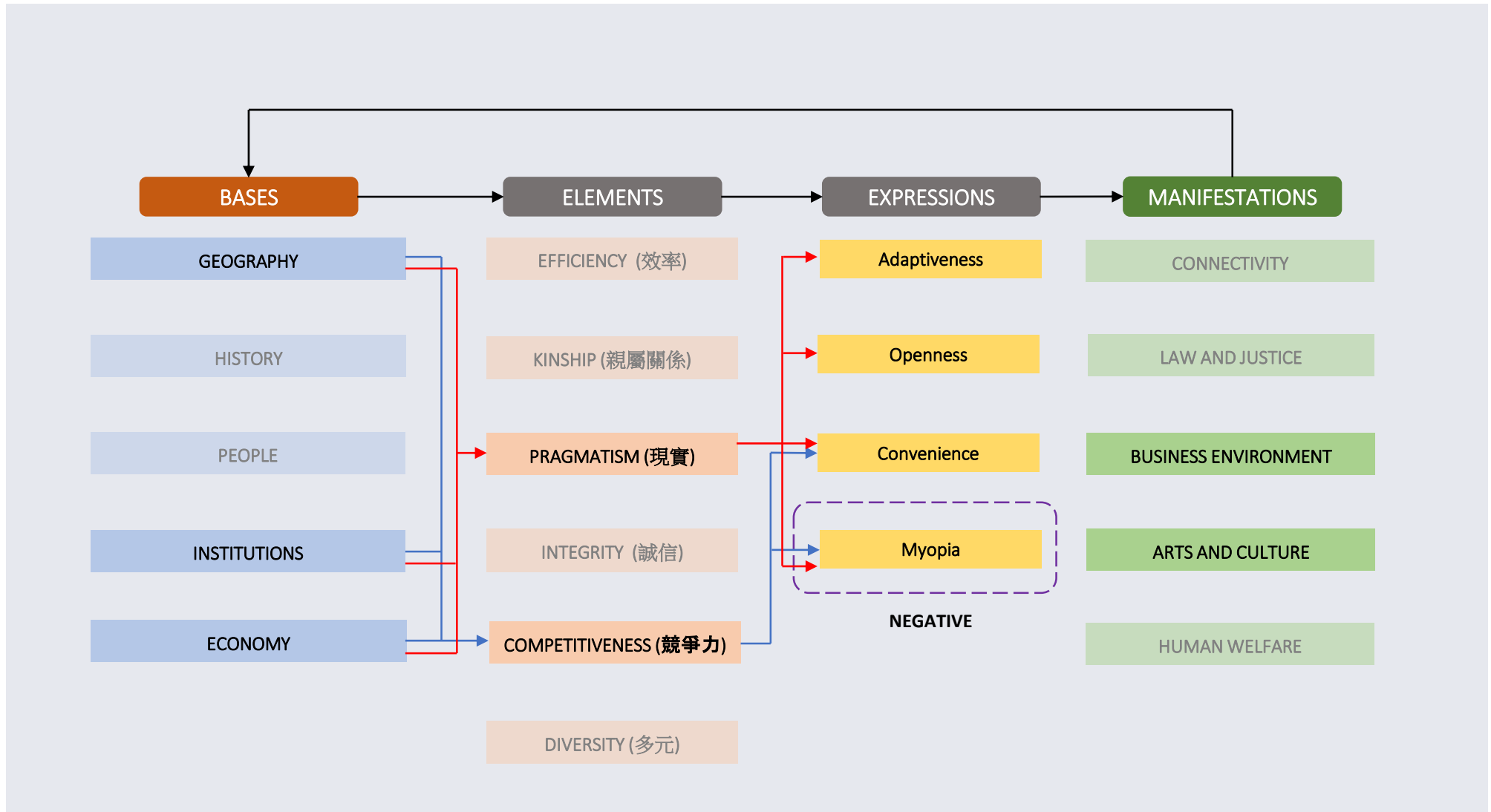
Bases — With its **excellent geographic location**, Hong Kong is a popular destination for both regional and international tourists.

DNA Elements — **Pragmatism** and **competitiveness** of Hong Kong people have contributed to the continuous development of the tourism sector.

Expressions — Adaptiveness encouraged the city to become more open to capture commercial opportunities from Mainland Chinese visitors. Hong Kong businesses changed to suit the tastes of Chinese visitors (e.g. jewellery stores, pharmacies and **convenient** transport services connected Hong Kong with Mainland China. However, the tourism sector exhibits some level of **myopia**, in being too reliant on the Chinese market, leading to an imbalanced tourist sector.

Manifestations — Hong Kong retail businesses have been oriented towards the needs of Mainland Chinese visitors. The proximity between Hong Kong local people and Mainland Chinese visitors have also led to some **cultural conflicts**.

Tourism: Origins



Growing Chinese tourism shows adaptiveness and openness, but also an inability to see long-term consequences.

Tourism: Evolution Over Time

The rise of the tourism sector has inevitably triggered cultural conflicts and social tensions. Hong Kong's **institutions** have implemented new policies to control the flow of visits, such as the "one trip per week" individual visit endorsements in 2015, replacing the old multiple-entry policy.

The increasing presence of visitors from Mainland China have fostered a strong sense of **local awareness** in Hong Kong. While locals want to be more **responsible** for preserving popular culture and heritage, it also suggests that the Hong Kong community is become more **exclusive**.

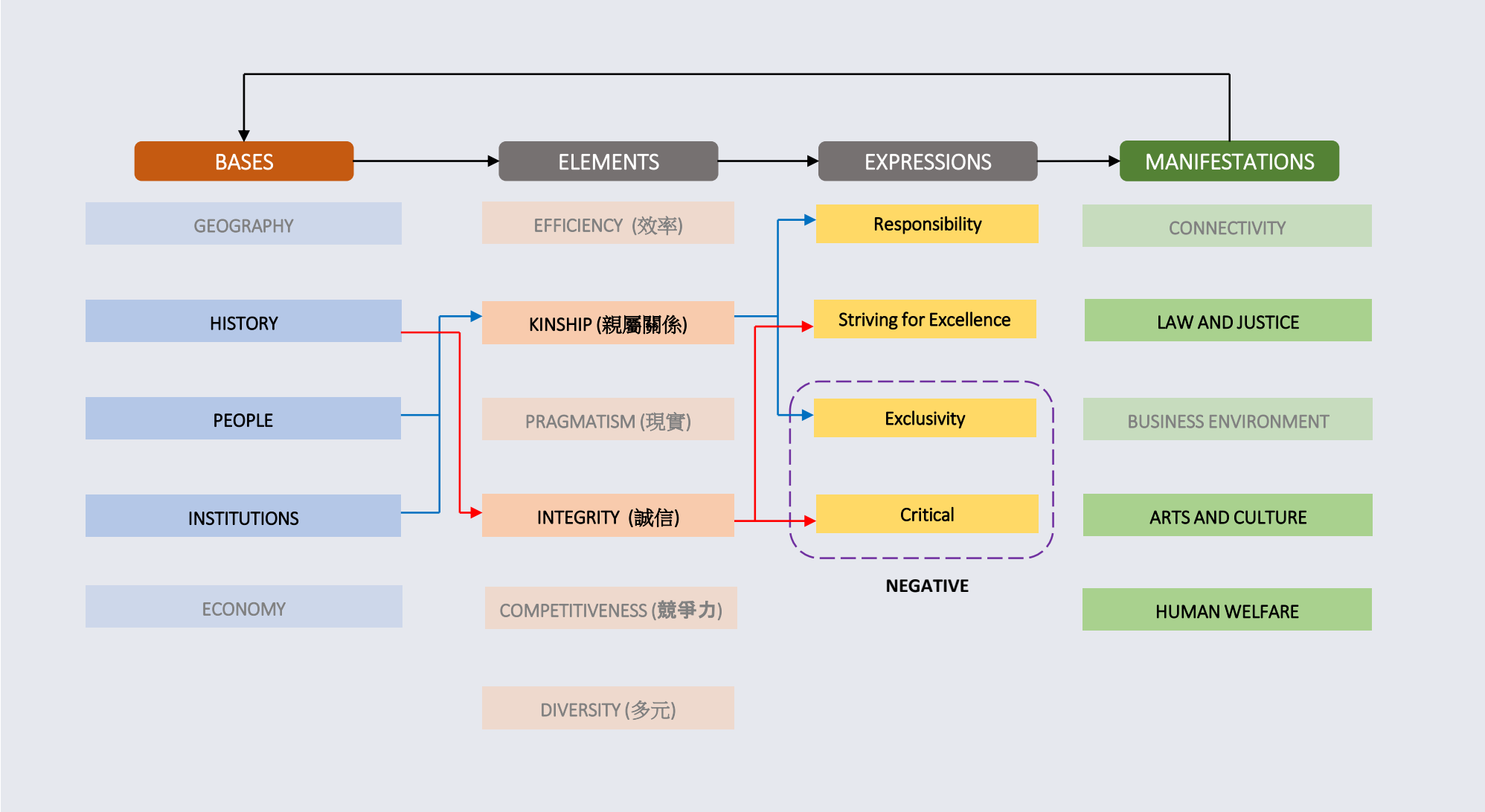
An added wrinkle to the tourism sector is the rise of "birth tourism". Mothers from Mainland China were opting to give birth in Hong Kong, so that their children (who would automatically gain Hong Kong residency) would have access to Hong Kong's higher-quality social services. Laws to limit these visitors have been tightened in order to relieve stress on the healthcare system. A similar scenario has emerged around Hong Kong's high food-safety standards, where visitors from Mainland China buy products in bulk, such as baby milk powder, which have been the subject of scandals in China, which distorted the local economy as basic necessities grew scarce. Thus, tourism, or at least visits to Hong Kong, have effects on Hong Kong's **Human Welfare**.

Preserving Hong Kong's local **culture** has become more prominent in recent years, demonstrated through the design of revitalised buildings such as Tai Kwun and PMQ. NGOs, such as the YWCA in Sham Shui Po, are also trying to showcase and share stories from members of their community.



Tourism from China has affected Hong Kong's economy, which may reveal an over-reliance on the Chinese market.

How Tourism has Evolved Over Time



Tourism is more than just a sector in the economy, influencing several different parts of Hong Kong society.



HUMAN WELFARE SHOWCASE: ELDERLY HOUSING

Hong Kong's population is rapidly growing older. The city's current birth rate of 1.2 births per woman is much lower than the replacement rate (2.1 births per woman). While immigration has kept Hong Kong's population growing, fewer young people has increased the median age in Hong Kong to 43.2 years. With fewer children to support parents, Hong Kong's elderly are forced to survive in an increasingly unaffordable environment: rates of elderly poverty are sometimes stated to be as high as 30%.

To account for these changing demographics, Hong Kong's public and private housing developers are working to develop new elderly-focused housing.

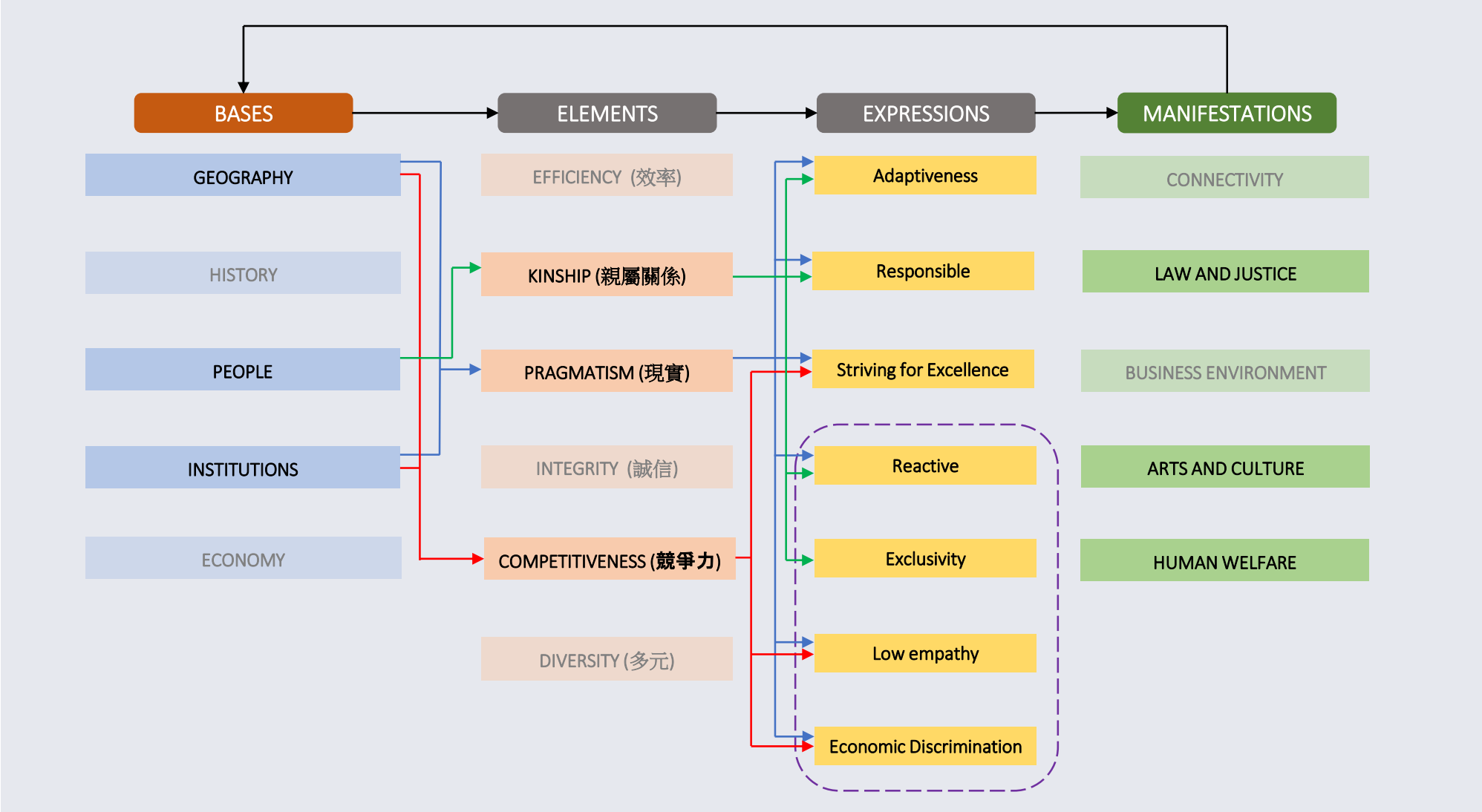
Bases — The source of this issue stems from Hong Kong's limited land resources and its aging population (i.e. the **Geography** and **People** Bases). Hong Kong's various housing institutions, such as the government's Housing Department and the Hong Kong Housing Society, are also relevant to the housing issue.

DNA Elements — Hong Kong people value **kinship**, **pragmatism** and **competitiveness**.

Expressions — Civil society organisations are filling the gap left by the government, which show their **pragmatism** in identifying solutions since housing problems. However, the downside of **pragmatism** is **economic discrimination** and **low empathy**, as elderly housing projects currently target Hong Kong's middle-income families, as opposed to low-income ones.

Manifestations — The issue of elderly housing is manifested through Hong Kong's **Business Environment** and **Human and Social Welfare**.

Human Welfare Showcase: Elderly Housing



Elderly housing displays the positive expressions of Hong Kong’s DNA, but the policy limitations reflect negative expressions.



HUMAN STORY: FIGHTING DISCRIMINATION IN HONG KONG

*Mr Jeff Andrews, 33
Senior Social Worker at Christian Action Centre for Refugees.
Born in Hong Kong, third generation Indian Hong Konger.*

“I was born here, I speak Cantonese, I am brown on the outside but local Hong Kong in the inside. But I want to help the minority kids settle down and thrive in this city.”

At age of 19, Jeff underwent a life-changing moment when he was arrested for minor theft and was almost put in jail. It was his social worker, who worked really hard on getting him reference letters and a lawyer, and eventually a light sentence.

This experience ignited Jeff’s passion in helping others and take ownership and care for his community and Hong Kong, his home.

Note: Jeff was a participant on the 2018 Hong Kong Young Leaders Programme

THE FUTURE OF HONG KONG'S DNA



回王酥
每個 7元

皮蛋酥(紅
美、麻醬、
芝麻瓜子肉)
Preserved Egg
Cakus
每個
15元

A bakery's wares in Sham Shui Po

Future DNA of Hong Kong: Introduction and Approach

Why care about Hong Kong's future DNA?

Previous chapters have identified:

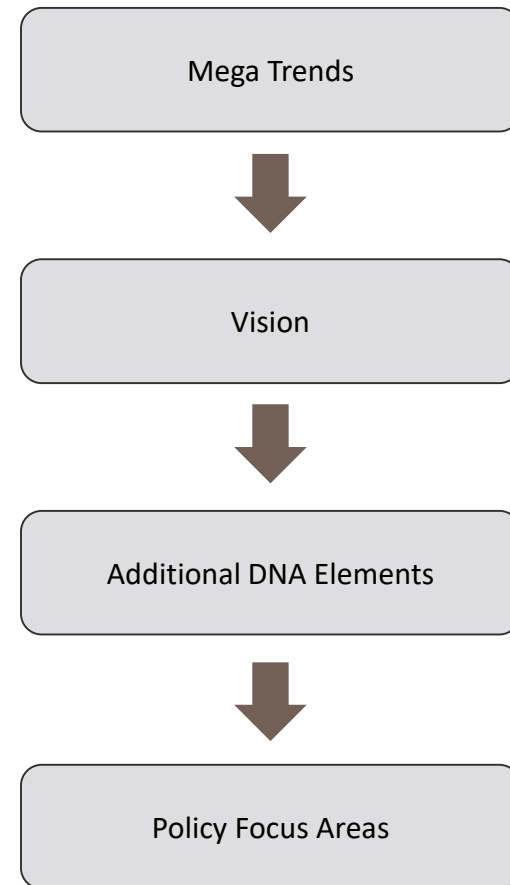
1. The **bases** that have shaped Hong Kong's DNA.
2. The **elements** of this DNA, and how they are **expressed** as individual behaviours.
3. The **manifestations** of these DNA elements throughout Hong Kong society.

Hong Kong's DNA is not unchanging. In the long-term, Hong Kong will be shaped by both internal and external changes. For the largest changes — the **Megatrends** — Hong Kong will have almost no ability to influence, and thus will need to find ways to adapt to a different future.

Challenges and opportunities are coming with these changes, and so Hong Kong's DNA will need to change to deal with them. This means **strengthening** our existing DNA elements and perhaps adding new ones better suited to the future.

Therefore, this section of the report will:

- Discuss the **Megatrends** that will affect Hong Kong in the coming decades.
- Present a compelling **vision** for Hong Kong.
- Determine what **additional DNA elements** Hong Kong should add.
- Propose some **policy focus areas** that can help grow these DNA elements.



We start from what we want Hong Kong to look like in the future, then determine what new elements might get us there.

The Six Megatrends

Hyper-Globalisation

This is the interaction and integration of people, companies and governments around the world. Globalisation has grown due to advances in transportation and communication technologies. With this comes increased international trade, ideas and culture.

China's Rise

China's continued development will open new opportunities, both in China and abroad. However, the economic transformations it brings may not be wholly positive, and so places must manage these changes.

Innovation and Technology

Technological advancement is now not just threatening manufacturing jobs, but service jobs as well. In addition, social media, big data, and an increasing reliance on algorithms is also having economic and political effects on society.

Demographic Shift

In more developed regions, the proportion of elderly is rising. The need to care for increasing numbers of elderly will present significant social challenges for richer societies.

Global Rise of Nationalism, Protectionism and Populism

Different political movements opposed to the current *status quo* have emerged in countries around the world. Nationalism, populism and protectionism are now re-emergent political ideologies, which will effect global politics and economics.

Climate Change

A change in global and regional climate patterns over time, mainly caused by accumulating greenhouse gases. It can lead to a wide range of effects, such as rising sea levels, increasing temperatures, and more extreme weather.

These six megatrends are global changes that Hong Kong will not influence but will need to adapt and react to.

Megatrends

Hyper-Globalisation

With fierce global competition, Hong Kong risks losing its competitive edge to other developing cities in China and Southeast Asia. The city, for example, is no longer considered the world's most competitive economy. Hong Kong's airport has fallen from first to fifth in annual rankings.

But while Hong Kong has lost its leading position in its traditional industries, the government is still pursuing economic development in financial services, tourism, trading and logistics, and professional services.

Hong Kong's **adaptiveness**, **strong networks** and **openness** could help the city capture the opportunities generated by globalisation, and perhaps allow it to change to market conditions quickly. However, Hong Kong's **risk aversion** and **myopia** have led the government to continue focusing on the four key industries, rather than diversifying into new fields.

Hong Kong will need to re-engage with the rest of the world, and not rest on its laurels.

China's Rise

Hong Kong's role as the gateway into China has been threatened by the phenomenal growth of other major cities in Mainland China. One specific example is the development of alternate ports in the Pearl River Delta region, which have eaten market share from Hong Kong's container port.

As China begins to invest outward (i.e. the Belt and Road Initiative), Hong Kong will have the opportunity to redefine its role from being China's gateway to being a "superconnector" between China and the rest of the world.

Hong Kong's positive attributes will keep Hong Kong very important to the Mainland Chinese economy. However, Hong Kong has, in general, remained **risk-averse** when it comes to redefining itself economically, leading to a lot of "lost time". Other cities in China have been able to catch up to Hong Kong in some areas and, in the case of technology, have overtaken it.

Hong Kong will need to find a role within Mainland China that only it, with its unique DNA, can provide.

Megatrends

Innovation and Technology

Automation and continued development in artificial intelligence are now threatening to replace many of the professional service jobs, such as accountants and legal services, that employ a large number of Hong Kong's people. This technological change could threaten the underpinning of much of Hong Kong's middle-class occupations.

Social media and data privacy are more immediate technological concerns that present their own threats to social and political stability.

Hong Kong could invest in technological sectors that align with its current strengths, such as financial technology, legal technology, and other developments that work with professional services. However, the disruption to employment will need to be managed, especially if Hong Kong's current paths to a middle-class life begin to be closed off.

While technology provides some significant dangers, it can also present new opportunities. However, the city still has yet to develop a vibrant start-up scene. Cities in Mainland China have, in the past few years, developed significant tech sectors entirely from scratch, leaving Hong Kong behind.

Hong Kong will need to build a resilient economy and society that can mitigate the negative effects of new technologies.

Demographic Shift

Government forecasts project that Hong Kong will have an elderly population of 2.58 million by 2064, or almost 35.9% of the population. Hong Kong will face a declining labour force and increasing elderly dependency.

At the same time, immigration also brings new industry and talents to Hong Kong.

Hong Kong is concerned about "brain drain": the emigration of professionals and talents from the city.

A City University of Hong Kong survey found that only 47.2% of people thought they could get a full university education, which shows the lack of confidence Hong Kong's upcoming generation has in their own future.

An aging population in advanced economies will require a new understanding of the government's responsibility for care.

Megatrends

Nationalism, Protectionism and Populism

The younger generation is already expressing their disagreement with the government on deepening income inequality and stagnating social stability, which has been expressed through an increasingly prominent activist and “localist” movement.

Hong Kong can be a vital part of these momentous economic shifts, while preserving local identity and culture and adding value through its expertise and experience as a financial hub. This can develop new markets through new opportunities that present themselves. Hong Kong’s competitiveness should be displayed in a positive manner, promoting its uniqueness in playing a major role in the development of mainland China and the entire Asian region, particularly emerging markets, rather than look inwards.

Hong Kong may need to critically examine its place in a more complicated world.

Climate Change

Global climate change is bringing abrupt and unpredictable changes in weather. In Hong Kong’s case, this means higher temperatures and more extreme rainfall patterns. The Hong Kong Observatory has noted that Hong Kong’s recent winters have seen above-average temperatures. Rising sea levels will also affect Hong Kong as a coastal city. This will present numerous economic and social costs on the city, from the health effects of longer heatwaves to the costs of infrastructure reconstruction and adaptation.

With the consequences of climate change becoming more evident, Hong Kong people have started to display greater awareness of these environmental issues. Even in the face of wider inaction, more non-profits and start-ups have emerged to take **responsibility** for the issue. The Hong Kong government has circulated the Climate Action Plan 2030+ to implement the Paris Climate Agreement, and is part of the C40 forum of cities dedicated to tackling the issue.

However, Hong Kong has not made significant changes to either mitigate climate change or adapt to its effects. The city continues to subsidise electrical power, and has not implemented any kind of carbon tax or trading mechanism. On a social level, Hong Kong businesses and society continue to overconsume resources, as perhaps best shown by the city’s reliance on artificial cooling.

Hong Kong will need to drastically reshape its economy and resource consumption to work against climate change.

Vision for Hong Kong's Future

Any vision for Hong Kong needs to build on and leverage the five **Manifestations** discussed earlier.

Human Welfare

Hong Kong's social welfare provision should be driven by need and purpose, rather than by budgetary concerns. The city would also ensure basic housing to all its residents, and the healthcare system would be upgraded to handle imminent demands of the aging population. The city would also take a long-term view, looking to prevent possible social issues rather than reacting to problems once they emerge.

Business Environment

Hong Kong's business environment should include an array of diverse industries, including ones focusing on creativity, technology and innovation and enhancing its dominance in the service sector. Hong Kong's business sector should also consider social impact when developing business plans.

Culture

Hong Kong should prioritise the preservation and revitalisation of its heritage; promote and develop a healthy arts industry; and further grow as an Arts hub for the region and the globe.

Connectivity

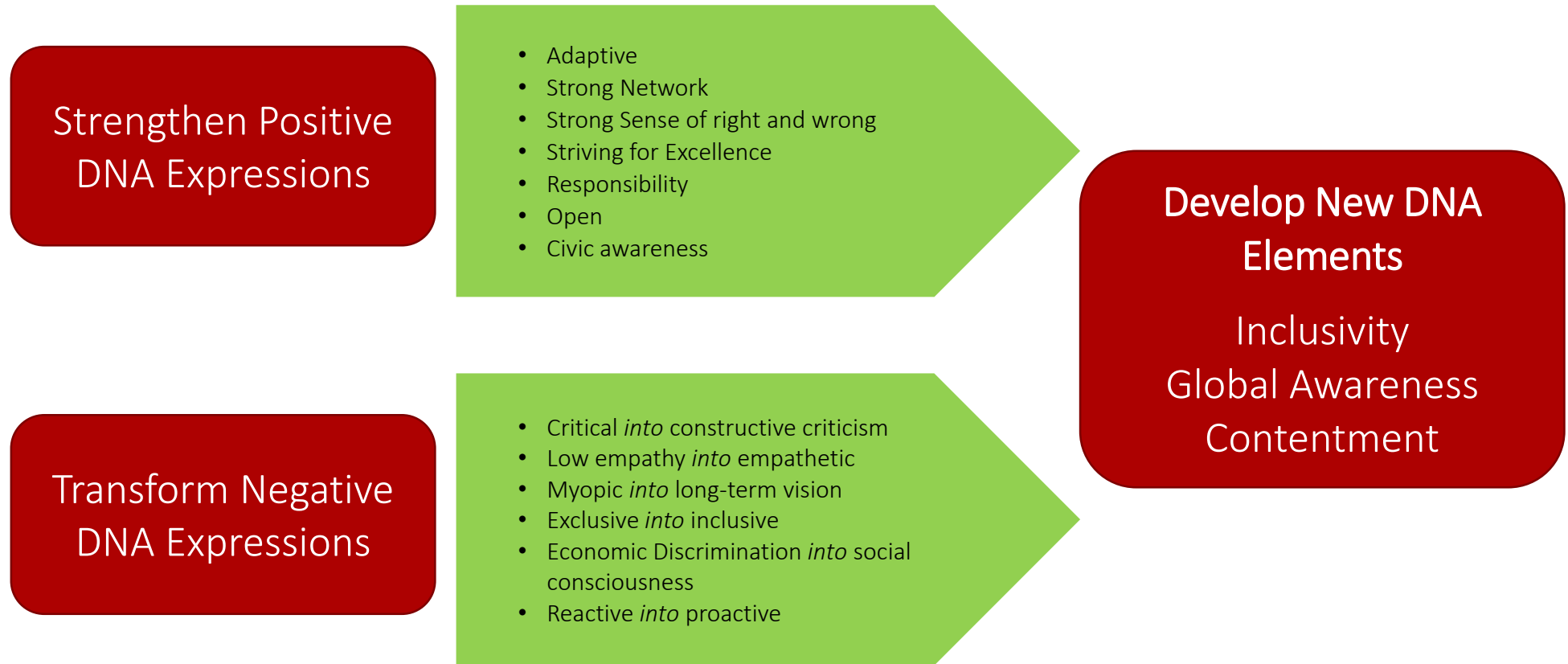
Hong Kong must remain competitive on the global stage, continuing to expand and improve both its infrastructure and its global presence. The city should strive to build its networks, especially across the Belt and Road nations, as well as New York and London.

Law and Justice

Hong Kong would invest a responsibility to protect the public interest in its legislative and judicial institutions, who would have the ability to form consistent and clear legal and policy decisions.

Adding to Hong Kong's DNA

To adapt to these global megatrends, Hong Kong will need to strengthen its current DNA elements, and also develop new DNA elements better suited to the future.



These new DNA elements will prepare Hong Kong for future challenges.

New DNA Elements

Inclusivity

Beyond just diversity and tolerance of different points of view, inclusivity means **being open to and appreciative of differing perspectives**. An inclusive society is one that tries to bring these perspectives together into one whole: a society greater than the sum of its parts.

Hong Kong is diverse, with significant populations from Mainland China, Asia, Europe and North America alongside the local Hong Kong population. The city is also tolerant, by allowing people of different languages and faiths to live their lives largely freely.

However, Hong Kong is not inclusive, in that it does not draw upon the insights of others.

For example, while there is no official or institutional discrimination, minorities in Hong Kong have long borne the brunt of casual discrimination.

In addition, Hong Kong people have been unwilling to look to emerging markets, including ASEAN and Mainland China, for insights on development. This is partly why Hong Kong has been leapfrogged by other cities.

Not just tolerating difference, but using insights from it to build a stronger city and community.

Global Awareness

Global awareness means **an engagement with the rest of the world**.

Hong Kong people are civically and politically aware when it comes to domestic issues. However, when it comes to regional and global issues, Hong Kong people are more insulated.

Many populations have this shortcoming. However, given both Hong Kong's status as an open and global city, and the global megatrends of hyper-globalisation and the reaction to it, awareness of the rest of the world needs to held more deeply throughout the population.

Hong Kong's direct engagement with the rest of the world is currently passive. The city does not actively pursue international engagements actively.

This is sometimes reflected in policy. Hong Kong signed a free-trade deal with ASEAN in 2017, fourteen years after Mainland China signed an FTA with ASEAN. This was one reason why Singapore could take advantage of growing China-ASEAN trade and Hong Kong could not.

A more connected world with multiple economic centres requires Hong Kong to look beyond its comfort zone.

Contentment

“Contentment” means being **satisfied with one's current situation**. This does not mean an unwillingness to criticise, but rather creating a situation where needs are met.

Currently, stagnating social mobility and rising income inequality have not led to conditions where people are satisfied with the *status quo*.

This has led to social tensions in Hong Kong, either expressed by the growth of activist movements, or the expressed desire by many people to leave the city. It has also led to an increase in criticism — some of which is undeserved, and only serves to deepen political polarisation in the city.

But “contentment” has another meaning, in ensuring that Hong Kong people are not encouraged to overconsume. With the rise of climate change and scarce resources, Hong Kong's resource consumption must fall to a more sustainable level.

A greater focus on shared prosperity and ensuring a path to a comfortable middle-class lifestyle will lead to a content population.

Hong Kong needs to ensure shared prosperity while resisting the urge to overconsume.

Policy Focus Areas

Hong Kong can grow these three DNA Elements (Inclusivity, Global Awareness, and Contentment) by focusing on several different **policy focus areas**.

Policy Focus Area	Description	Policy Ideas to Explore	Effect on DNA
Land and Housing	Hong Kong is one of the world's most unaffordable housing markets. Rents are increasing as average flat size is decreasing. This is one of the major motivators of social tension, as young people believe they will never have the ability to afford a decent-sized home.	<ul style="list-style-type: none"> Public housing construction on brownfields. Market interventions. 	Contentment
Education	Hong Kong's education system needs to more closely match the needs of Hong Kong's future, and the global megatrends highlighted earlier.	<ul style="list-style-type: none"> Greater focus on careers development Technical and digital education. Improved English and Mandarin teaching. Expanded "liberal studies" and creative subjects. 	Inclusivity Global Awareness Contentment
Poverty	Despite being a very wealthy city, Hong Kong still has a persistent poverty problem, especially among the elderly. Limited social welfare means that civil society and charity is forced to fill the void.	<ul style="list-style-type: none"> Expanded social services. Universal Basic Income. 	Contentment
Economic Diversification	Hong Kong still focuses on a small number of industries which are susceptible to global competition and technological change. Hong Kong needs a more diverse body of industries to improve its economic resilience.	<ul style="list-style-type: none"> Further support for Hong Kong's technology and start-up scene. Vocational training. 	Global Awareness
Government Mindset	Hong Kong's government is "conservative", in the sense that it has a tendency to rely on well-known, rather than novel, solutions to policy problems. In addition, the government's process for developing regulations does not fully take sustainability and other social concerns into account.	<ul style="list-style-type: none"> Shift from a budget-driven to a purpose-driven mindset. Integrate sustainability and social impact into policy decisions. Look abroad for novel solutions to Hong Kong's public policy problems. Develop a model for Hong Kong's economy. 	Inclusivity Global Awareness Contentment

Policy Focus Areas

Policy Focus Area	Description	Policy Ideas to Explore	Effect on DNA
Demographics	As explained earlier, Hong Kong is undergoing major demographic change. An elderly population will need increasing support and resources as they age. The ratio of working age to elderly will continue to decrease.	<ul style="list-style-type: none"> • More investment in elderly-focused housing, healthcare, and other services. • Liberalised immigration to encourage foreign talent to move to Hong Kong. • Lowering the cost of raising a child (e.g. reducing home prices, education costs, etc.) 	Inclusivity Contentment
Institutional Strength	Hong Kong has strong institutions, which ensures the success of “One Country, Two Systems” and Hong Kong’s autonomy within China. These institutions need to be supported and strengthened.	<ul style="list-style-type: none"> • Improving legislative and regulatory design processes. • Ensuring voter turnout for elections and greater representation in the Legislative Council. • Express clear public support for the city’s institutions, and ensure they are properly staffed. 	Inclusivity
Environmental Protection	Apart from tackling more mundane environmental issues (i.e. pollution, “green space”), Hong Kong will need to find ways to both reduce its consumption of resources and develop ways to mitigate the effects of climate change.	<ul style="list-style-type: none"> • More prominent recycling schemes. • Congestion prices. • Construction of seawalls. • Carbon pricing. 	Contentment
International Presence	Hong Kong has a unique authority to engage with the rest of the world. The city should capitalise on this authority to improve its own situation, act as a role model for other cities, and gain insights from others.	<ul style="list-style-type: none"> • Further free-trade agreements. • Attract international events to Hong Kong. • More consistent engagement with other city and national governments to find policy solutions. 	Global Awareness
Cultural Development and Preservation	While Hong Kong has improved in its “top-down” provision of culture, it has done less well in providing space for “bottom-up” cultural development and preservation. Despite the growth in public art, small- to medium-sized cultural organisations still do not have sufficient places to show their work.	<ul style="list-style-type: none"> • Further repurpose historical and heritage buildings for new uses. • Develop mid-sized venues for bands, artists, performers, and other independent artistic initiatives. 	Inclusivity Contentment

FOR MORE INFORMATION ON THIS REPORT, OR THE HONG KONG YOUNG LEADERS PROGRAMME IN GENERAL, PLEASE CONTACT THE GLOBAL INSTITUTE FOR TOMORROW AT ENQUIRY@GLOBAL-INST.COM

