

Twenty Years of One Country Two Systems in China: Evaluation and Future Prospects

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I. Introduction

This study evaluated China's model of “One Country, Two Systems” (一國兩制) 20 years into operation and the bilateral relationship between Taiwan and Mainland China – focusing on Hong Kong, Macau, and Taiwan – and examined future prospects. The study is meaningful in that it conducts a more objective evaluation than the previous studies by empirically analyzing data accumulated over the past 20 years of implementation of the One Country Two Systems principle from various perspectives. In addition, it is also a timely study in that it analyzes how the One Country Two Systems arrangement is likely to develop in the future, and what impact this would have, making considerations for changes in China's national strategy during the Xi Jinping period and the competition for hegemony between the U.S. and China.

II. 20 years of implementation of the One Country Two Systems arrangement in Hong Kong and Macau

This study evaluated the 20 years of implementation of the One Country Two Systems arrangement in Hong Kong and Macau, examining whether different political systems can be compatible within a country, and analyzing the economic effects and challenges associated with this arrangement. In addition, the study looked at the degree of social integration between the people as well as the system, and why resistance is taking place within Hong Kong. Meanwhile, changes in Hong Kong and Macau's existing relationship with the international community due to implementation of the One Country Two Systems principle were examined from an international perspective.

The results of the analysis indicate that over the past 20 years China has been experimenting with the possibility of coexisting different systems in one country, and that the One Country Two Systems arrangement, as a new form

of unification which has never been attempted in the history of mankind, has actually shown the possibility of success. However, in recent years, various political contradictions have been exposed in the process of implementing the arrangement, mostly in the Hong Kong society, and the resulting conflict has gradually intensified. Various factors appear to have played a role in this, but the lack of social consensus on how Hong Kong will develop in the future – especially after the 50-year period of guaranteeing the current capitalist system is over – is evaluated as creating distrust between Hong Kong and mainland China.

On the other hand, in the economic field, “One Country, Two Systems” has brought significant economic benefits to mainland China, Hong Kong, and Macau, and this is considered to play a large role in economic integration between Hong Kong, Macau and mainland China. Macau overcame economic downturn thanks to the development of the casino industry and a large influx of tourists from mainland China, showing a very high economic growth rate of 26.8% in 2004. Macau's per capita GDP ranked second in the world in 2018, and its unemployment rate fell to 1.7% in 2019. Hong Kong suffered difficulties such as a fall in the economic growth rate to -5.8% in 1998 due to decline in the manufacturing industry in the 1990s, the Asian financial crisis in 1998, and the outbreak of SARS in 2003, but was able to overcome these difficulties by expanding economic cooperation with China through their Comprehensive Economic Partnership Agreement (CEPA).

However, as the Hong Kong and Macau economies become more dependent on China, the risk from Chinese economic fluctuations is also increasing. In addition, the increase in real estate investment by mainland Chinese in Hong Kong has led to a rise in housing prices in Hong Kong, triggering further anti-China sentiment and widening the gap between the rich and the poor to increase social polarization.

III. Bilateral relations between Taiwan and mainland China

Mainland China and Taiwan have improved the level of institutionalization of economic exchange and cooperation through various agreements between their governments and non-governmental sectors. This has contributed positively to the expansion of economic exchanges between the two sides in terms of stability, reliability, and dispute resolution. China has become an important market for overseas jobs for Taiwanese, while Taiwan's investment and entry into mainland China has contributed positively to its market not only in terms of capital supply but also enhancing the industrial competitiveness of mainland China through the transfer of related production technology and management know-how.

Although it is clear that the Economic Cooperation Framework Agreement (ECFA) has had some positive effects on the economies of both sides, there are evaluations within Taiwan that the effect and performance of the

ECFA has not met expectations. In addition, Taiwanese residents did not experience a direct improvement in their livelihoods despite the expansion of economic exchanges and cooperation with China, contributing to negative evaluations of the expansion in cross-strait cooperation. And with the ECFA's follow-up negotiations coming to a standstill and the comparative advantage between the two sides gradually disappearing, more of a competitive relationship has been developing, which appears to be a task to be solved in the process of economic exchanges between the two sides.

IV. Prospects for “One Country, Two Systems”

This study presents a forecast on the future of “One Country, Two Systems.” Future developments of the One Country Two Systems arrangement were predicted, taking into account three factors: China's national strategy, which has changed since Xi Jinping's reign; increasingly fierce competition between the United States and China; and political changes in Hong Kong, Macau, and Taiwan.

First, considering the foreign policy stance and direction of the Xi Jinping regime, China is highly likely to maintain a stronger stance on the issues of “One Country, Two Systems” and national reunification than before. In particular, considering that the One Country Two Systems arrangement is closely linked to territorial integrity and national reunification, China will most likely consider unification with Hong Kong, Macau, and Taiwan as its

core interests, and reject any negotiations or concessions on these issues.

Meanwhile, the U.S.-China relationship is highly likely to maintain a “complex relationship” in the short term of the next 5 to 10 years due to the remaining differences in national power between the two countries and domestic and foreign situations. In other words, they can be expected to maintain a complex relationship that repeats both cooperation in conflict and conflict in cooperation. Of course, in the long term, the possibility of extreme collision due to intensifying strategic competition between the United States and China cannot be ruled out, but in the short term, it is unlikely that the tension will escalate to such an extreme conflict phase, although conflicts will continue.

In this structure, the U.S. and China are not in much conflict on the Macau issue, and it is unlikely that Macau will serve as a source of conflict between the two countries in the future. On the other hand, Hong Kong and Taiwan are already a major factor in the U.S.-China conflict, and the level of conflict is expected to increase further in the future. Along with trade friction and the South China Sea issue, Hong Kong and Taiwan are likely to be at the forefront of sharpest conflict between the U.S. and China.

Lastly, in terms of domestic political fluctuations in Hong Kong, Macau, and Taiwan, there is no clear anti-Chinese sentiment within Macau's society, while anti-Chinese sentiment has recently spread rapidly within Hong Kong and Taiwan. In addition, while the Chief Executive of the Hong Kong Special Administrative Region and a large number of

legislators in Hong Kong are pro-Chinese, the Democratic Progressive Party (DPP), which is an anti-Chinese party of Taiwan, continues to rule the regions of Taiwan.

Accordingly, while maintaining the current capitalist system for 50 years, Macau is expected to gradually progress in its “Sinicization,” with continuing active economic and social exchanges and cooperation with mainland China. As a result, Macau is expected to be fully incorporated into China's socialist system in 2049, 50 years after the return, but it is likely to remain a city of special character considering Macau's region and its economic structure.

On the other hand, the One Country Two Systems arrangement with Hong Kong is expected to undergo a difficult process in the future. This is because, despite the strong will and ability of the Chinese government to intervene, anti-Chinese sentiment remains widespread within Hong Kong society, and members of the international community, such as the United States, are actively involving themselves in the situation. In the midst of various conflicts surrounding Hong Kong, the guarantee for Hong Kong's autonomy is expected to end in 2047 amid efforts on the part of the mainland government to sinicize Hong Kong. If Hong Kong's anti-China protests and U.S. intervention intensify in the process, China's involvement will also become more explicit and the pace will accelerate, gradually diminishing the original meaning behind “One Country, Two Systems” in Hong Kong. In fact, China strengthened its involvement in Hong Kong by enacting the Decision of the National

People's Congress (NPC) on Improving the Electoral System of the Hong Kong Special Administrative Region on 11 March 2021.

China wants to apply the philosophy of “One Country, Two Systems” to its reunification with Taiwan as well, but in reality this remains very low in possibility, largely for four reasons. First, there is an overwhelming public opinion in Taiwan opposed to the One Country Two Systems arrangement. Second, there is a lack of institutional and political basis for promoting such an arrangement with Taiwan. Third, there are certain limitations in China's ability to intervene in Taiwanese society. Fourth, the bilateral relationship between mainland China and Taiwan is more complicated than that with Hong Kong, and is more affected by the U.S.-China relationship.

Accordingly, the Chinese government is expected to keep in check anti-Chinese political forces in Taiwan, including the Democratic Progressive Party (DPP), along with efforts to dispel anti-Chinese sentiment among Taiwanese residents. Nevertheless, it is expected that a significant period of time will be necessary for the cross-strait relations to develop into any form of reunification. **KIEP**

Reference

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