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“One Street Two Systems” – Chung Ying Street: an Institutional Theoretical Analysis of the Drivers of Success

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STATEMENT OF ORIGINAL AUTHORSHIP

This dissertation has not previous been presented in any form to the University or any other institutional body whether for assessment or for other purposes, save for any express acknowledgements, references and/or bibliographies cited in the dissertation. I confirm that the intellectual content of the work is the result of my own efforts and of no other person.

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__________________________
Dr. Terence Kwai Yuen Ma

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SYNOPSIS

The objective of this research is to provide insights into the working and institutionalisation of Chung Ying Street at the border between Hong Kong and Shenzhen, which represents a rather unique phenomenon where two different economic systems are operating under the same political regime.

The research was conducted in Shatoujiao (also known as Sha Tau Kok in Cantonese), Shenzhen, on the border between Hong Kong and China. The 250 metres long Chung Ying Street is divided by eight stones that serve as the boundary between Hong Kong and Shenzhen. Before 1st July, 1997, one side of the street was controlled by the Communist Party government of China, while the other side was under the rule of the British government, and yet the whole street followed Hong Kong’s Western business model. The street was recognised as a “treasury street” as it was viewed as a loophole of sorts in an otherwise curtained country. This empirical qualitative study seeks to find answers to the following questions using a qualitative case study methodology:

1 How does institution theory explain the phenomenon of the Chung Ying Street, Shenzhen, China?

2 How do interactions proceed between people (actors) in the street, who are named as villagers, shop managers, community leaders and government officials? What are the differences between and similarities of those interactions, that is, the economic activities under the Communist and the Capitalist governments of mainland China and the Hong Kong Special Administrative Region, which was a member of the Commonwealth of Nations?

3 Which model from institutional theory and which variables are most important in explaining the success of Chung Ying Street?

In relation to the first research question, the main streams of institutional theories are explored. The researcher found Elinor Ostrom’s (2008) Institutional Analysis and Development (IAD) framework to be the most suitable theory to analyse the phenomenon of the Chung Ying Street.
For Question 2, this research finds that the actors have different attitudes and perceptions regarding the reasons for the overall economic success of the street. The differences between two political regimes are also analysed and summarised for easy reference and interpretation.

The answer to the third question, as revealed by this research, suggests that the Western capitalist business model adopted and institutionalized within a closed economy of a curtained country for decades is the key to the success of the street.
CHAPTER ONE: INTRODUCTION

1.0 Introduction
This dissertation primarily deals with institutional fabric of Chung Ying Street (中英街) where the “One Street Two Systems” (一街兩制) concept is operational. Here retailers from China and Hong Kong operate on either side of the street, representing the two different economic regimes, though both are under the same political regime, the People’s Republic of China. The “One Street Two Systems” terminology refers to the phrase “One Country Two Systems” (一國兩制), which was coined by Chinese Communist Party leader Deng Xiaoping (鄧小平) in January, 1982 (Sun, 2008, p. 231).

1.1 Background to the research
Chung Ying Street is a special shopping zone that was originally set up by the British in the 1980s. The street (Sun, 2008) started functioning in the 1980s and went on to become one of Shenzhen's most popular tourist attractions. After political control over Hong Kong was handed over to China in 1997, the street was allowed to continue to
function, without any changes. The street lies in Shatoujiao (沙頭角) Township (also known as Sha Tau Kok, in Cantonese), Yantian District (鹽田區), Shenzhen (深圳), between Wutong Mountain (梧桐山) and the South China Sea (Chatham, 1905). In 1898, when the British signed a 99 year lease agreement with China and extended their control of Hong Kong to the New Territories (新界), eight stone markers were placed in the middle of the street to mark the border between Hong Kong (British) and Shenzhen (People’s Republic of China) (Sun, 2008). Literally translated, Chung Ying Street (CYS) means Chinese-English Street (Appendix A). It simply means that a street is administered under the management system agreed between the Chinese and the British. ‘Chung’ (中) refers to Chinese administration and ‘Ying’ (英) means British administration. Therefore, one side of the street is under the jurisdiction of the Hong Kong Government and the other side is controlled by the Shenzhen City government in China.

Figure 1-2: Chung Ying Street crowded with retailers (maximum daily flow reaches 150,000)

1.2 Background to the Special Region of Shenzhen, China

Shenzhen is one of the coastal cities designated by Deng Xiaoping as a pioneer city in the modernisation of the Chinese economy (Dillion, 2015). It was one of the earliest to be declared a special economic zone after China started opening up the economy in the late 1970s. Shenzhen started receiving western capital investment (mainly via Hong Kong) during the 1980s. Many Hong Kong businessmen established their factories in Shenzhen.
The area leased to the British by the Qing Dynasty (清朝) in 1898 for 99 years, under the Second Convention of Peking, is the countryside of Hong Kong known as the “New Territories”. Since that time, Chung Ying Street has been a venue for border trading between China and Hong Kong. It is a rather special area in the Shenzhen economic zone. It has its own customs and entry control point and Chinese citizens are allowed to enter with permits issued for touring. This street was the first place to use foreign currency (Hong Kong Dollars) for business activities under Western trading practices.

1.3 Justification for the research
Chung Ying Street is a typical role model for two jurisdictions applying in one place (one street) in one country. This conceptually distinct administrative system may be called “One Country Two Systems”. Some Chinese studies have demonstrated the processes that developed the concept of “One Country Two Systems” (Huang, 2003). These cover the legal aspect and practice (Wong & Leung, 1998) and the civil service (Chan, 2003). The cross-border relationship of Hong Kong, under “One country Two Systems”, before and after 1997, has also been explored (Shen, 2003).

The adverse aspects of “One Country Two Systems” relating to conflict between socialist China and the international securities market have also been explored (Friedman, 2001). This concept was also extrapolated to the international level and was described as being without direct parallel in international law (Mushkat, 1997).

However, the origin and development of this “One Country Two Systems” concept is seldom mentioned or studied by Western academic scholars. This concept in fact evolved from the “One Street Two Systems”, practiced in Chung Ying Street and only a few Chinese authors have written about this street.

This research aims to explore and understand the rationale of the Chinese government in becoming involved in complex relationships and deciding to use the capitalist model within the territory of a communist regime.
The research enables us to gain more understanding and knowledge about the “One Country Two Systems” concept. It may also further identify whether the concept is conducive to the reunion of Taiwan with China (Cooney, 1997).

1.4 Research gap and questions

Chapter 2 describes the review of the literature on the institutional theory, and is carried out in order to systematically formulate questions for this research. Institutional theories in Europe have been studied over several centuries and the related literature has evolved and developed well. North has also discussed various types of institutions and incentive systems that evolved in China (North, 2005).

When one looks at economic changes and development over time, it becomes obvious that ‘we have been and are creating societies that are unique, in comparison to anything in the past’ (North, 2005, p. 19). China and Western countries still differ greatly with regard to their respective economic systems, social values and laws. This is so despite the substantial socio-economic changes that have occurred in China. This research explores Chung Ying Street from the perspective of institutional theory, via the Institutional and Analytical Development (IAD) framework developed over a period of thirty years (Crawford & Ostrom, 1995; Keiser & Ostrom, 1982; Ostrom 1986, 1999, 2011; Ostrom, Gardner, & Walker, 1994), which provides an appropriate analytical study base to explain the “One Street Two Systems”.

The research questions (RQs) addressed in this study are as follows:

**RQ 1:** How does institution theory explain the phenomenon of Chung Ying Street, Shenzhen China?

**RQ 2:** How is institution theory demonstrated in the street and the interactions among people (actors) in the street, namely the villagers, shop managers, community leaders and government officials, and what are the differences between and similarities in the economic activities under the two political regimes: the Chinese Communist Party and the British governments?
**RQ 3:** Which variables from the Institutional Analysis and Development framework are most important in explaining the success of Chung Ying Street?

The data for this research have been drawn from primary sources, including interviews. Detailed information regarding the research methodology and design is discussed in Chapter 3.

1.5 Conceptual framework

When conducting the literature review for this project, the researcher identified that, to date, there is no specific literature from Western scholars that has studied the unique phenomenon of “One Street Two Systems”. This phenomenon occurred only in one special zone in China due to historical and geographical circumstances. In principle, economic, social and political factors should be able to provide the basis to select the best system to use. There are a number of different theories and theoretical frameworks that could possibly explain the success of Chung Ying Street. Among the most widely used and popular instruments are institutional frameworks and models.

Institutional theory has been used to examine many phenomena ranging from micro personal policies (Baron et al., 1986; Edelman, 1992; Tolbert & Zucker, 1983) to some fundamental issues such as organizational forms and missions (Dimaggio, 1991; Fligstein, 1985). Institutional theory even helps to explain national and international government policies (Strang, 1990). In fact, various institutional theories are evolved to resolve different phenomena.

According to Drew and Kriz (2012), five major frameworks have been developed for use in institutional analysis (Hodgon, 2006; North, 2005; Ostrom, 2008; Redding, 2008; Scott, 2010). Each of these were reviewed as potential frameworks for this research, with the IAD framework (Ostrom, 2008) being deemed the most suitable.

The IAD framework has three principal spheres (namely, exogenous variables, action arena and outcomes), and each sphere has a range of variables to facilitate analysis at
different levels. Under the IAD framework applied to this research, the exogenous variables are the street environment, products and commodities being traded by the business operators, the village community and the rules in use. The actors are government officials, villagers and shop operators, and the arena is the special zone of Chung Ying Street. Analysis of the interrelationships among the variables and among the spheres should provide the relevant information to explain the outcome, the success of Chung Ying Street. The combined spheres provide a multitier conceptual map enabling institutional analysis at several levels (Ostrom, 2008). The three principal spheres are illustrated in Figure 1-3:

Figure 1-3: The conceptual framework of this research study

![Conceptual Framework]

Source: Adapted from Ostrom et al., 1994. p. 37

1.6 The significance of the research

In 1988 the President of the People’s Republic of China, Yang Shangkun (楊尚昆), while visiting the street, stated that Chung Ying Street is the “number one street” in China (Sun, 2008). This “number one street” remark refers to its success in implementing two systems in one street, with its performance being ranked number one in China. Now, both sides are under the sovereignty of China, and the business model for both sides follows the Hong Kong style. The street was regarded as a
“treasury street”, a loophole of sorts in the bamboo curtained country. One side was under socialistic rule and the other was under a regime that follows western capitalist-type business practices. However, the socialist government decided to continue the operation of the Western regime at Chung Ying Street, and this may have laid the framework for Hong Kong’s reunion with China.

1.7 Research methodology
As there is no Western study about the two systems operating on Chung Ying Street, the researcher needed to carefully choose an appropriate and suitable research method to obtain satisfactory data for analysis. For this exploratory research, only qualitative research methods were considered as only such methods can capture the complex reasons and the magnitude of decision making patterns (Das, 1983). Thus, the in-depth interview method (Minichiello, Aroni, & Hays, 1995) was adopted for this study.

To do this, the author drew on institutional theory and a socially constructed rationale of reality (Gepthart et al., 1995). This research can be described as an interpretive approach (Maanen, 1979) as it explores a real and unique set of circumstances (Denzin & Lincoln, 1998). This interpretive qualitative paradigm aims to provide important insights into a set of circumstances without exercising prior judgment (Carson et al., 1998).

The focus was on collecting detailed narrations of the episodes, interactions and predicaments of people (Patton, 1990). The interviewees can provide information about their business operations and real experiences (Das, 1983) through the use of semi-structured and open-ended questions related to the theoretical framework (Eisenhardt, 1989). The interviewees were asked to share their experiences and insider information in a non-threatening environment (Cooper & Emory, 1995) through guided semi-structured interviews (Patton, 1993). This approach enabled interviewees to relax and provide rich and in-depth answers to pre-determined questions.
1.8 Research process

1.8.1 Interview protocol and process

An interview protocol specifying general guidelines for the in-depth personal interviews was used to ensure that the research objectives were fully addressed and that consistency was maintained across interviews (Eisenhardt, 1989; Minichiello, 1990; Patton, 1990). The protocol included questions about the shop operators’ beliefs, business attitudes, perceptions and expectations. At the end of each interview, there was an open-ended session to allow respondents to reflect on their answers and to identify other factors that might explain the success of business in Chung Ying Street.

Prospective respondents were invited to participate in the research through an Information Statement that clearly explained the purpose of this research. This statement, along with a Letter of Consent was distributed by the principal tenant of the whole street on the researcher’s behalf. Prospective respondents who wished to participate in the research conveyed their willingness to the researcher by email. Three days before the actual interview, the researcher contacted each prospective respondent by email or phone to confirm that the Information Statement had been read and offered in order to answer any queries they may have had. It was vital that the participants were well aware of the purpose of the research because that related to validity (Yin, 1994).

1.8.2 Ethical implications

The researcher strictly followed the procedures laid down by the University of Newcastle, and approval for compliance with ethical considerations was granted by the Human Research Ethics Committee (H-2014-0378) of the university. A copy of the approval letter is attached in Appendix J. The confidentiality of the interviews and records were assured to the participants. They were also assured that, in the event of the tapes being transcribed by a third party, a confidentiality agreement would be signed with that party. Data was then source coded to identify its origin, and the original material was stored for safe keeping.
1.8.3 Data analysis

After the data was gathered it was analysed using Microsoft Excel. The data were the primary information obtained from individual interviews. The questions were carefully designed to seek insights into the three principal spheres of the IAD Framework, exogenous variables, action arena and outcomes, and the variables within each sphere. The analytical data were drawn from answers the participants gave to the 10 questions developed for the interview. A narrative approach with descriptive tables summarising the answers was used. The demographic variables including gender, occupation, nationality, place of residence, business type, year of establishment and control authority were recorded and analysed. The answers were grouped and matched to reflect the theme for the three principal spheres. The notes taken during the interviews were organised and categorised, and all audio tapes were transcribed.

1.9 Outline of the dissertation

Chapter 1 provides the background of this research, the specific geographic area, the importance of undertaking this research, an overview of this dissertation and an introduction to the research questions.

Chapter 2 provides a comprehensive review of extant literature to identify any gaps in the literature and identify a suitable theoretical framework for the analysis. The discussion explains various factors and the subsequent effect on behaviours of the participants.

Chapter 3 discusses the methodology and design developed for this research. This chapter explains the justification for the methodology used and discusses the validity, reliability and limitations of research, as well as ethical considerations.

Chapter 4 discusses the participants, analysis, analytical techniques and processes and the results of the data obtained by adopting the research design, methodology and strategies outlined in Chapter 3.
Chapter 5 explains and discusses the findings of the empirical analysis in Chapter 4 and draws conclusions and implications from these findings for practice and theory. This chapter also discusses the limitations of this research and implications for future research.

1.10 Conclusion

This chapter introduces a unique street in Shenzhen City in the People’s Republic of China that practices a Western business economic system while being under a socialist regime. This unique phenomenon allows the researcher to study and explain the process of institutional development in China.

Thus, it is of significance to examine this area, especially in the Chinese context, where little research has previously been conducted by scholars. This is the first time a researcher has used IAD for explaining the success of the Chung Ying Street. The researcher has used this IAD framework in order to explain the success of one aspect of the Chinese economic system by drawing on institutional theory.
CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This research explores the rationale for the use of a Western business system in a socialist country. In addition, it explores why retail operations on a particular street in Shenzhen were so successful. It is envisaged that the research will enable both Chinese and Westerners to better understand how the reform-minded communist leaders’ mindsets and business practices encouraged economic development in modern China. It may also provide an explanation as to why the near laissez-faire economy of Hong Kong is so successful. Finally, it may help to explain how a concept that evolved in such a street was applied in the Sino-British negotiations for the return of the Hong Kong sovereignty on 1 July 1997.

There are two major political systems in the world. These may be loosely described as democratic and communist or socialist. The business model in each system is adapted to suit the political reality. This dissertation primarily deals with the institutional nature of a real and unique street located in the People’s Republic of China, Chung Ying Street, famous for its unique political history of having two business systems on one street. Indeed, this street was the original source of inspiration for the “One Country Two Systems” concept (Sun, 2008, p. 3) adopted by the 1984 Sino British Joint Declaration concerning the future of Hong Kong.

China is increasingly adopting a market economy and Chung Ying Street is increasingly becoming like any other street in a market economy with a business model that is normally applied under democratic political systems. From the perspective of economic history and the evolution of the Chinese market system, it is important to explicate and document the history and the evolution of this street while there are still people who remember the street prior to the handover of Hong Kong and the New Territories in 1997.
2.1 Background of Chung Ying Street

Chung Ying Street is a special shopping zone (street) where the socialist political rules were matched with the Western business model (Sun, 2008). The street became a shopping zone in the 1980s and quickly grew to become one of Shenzhen's most popular tourist attractions. The street lies in Shatoujiao Township, Yantian District, Shenzhen, between Wutong Mountain and the South China Sea. In 1898, eight stone markers were placed along the middle of the street to denote the border between Hong Kong (British) and Shenzhen (People’s Republic of China) (Chatham, 1905). According to the Peking (Beijing) Convention of 1898, the larger part of the present area of Hong Kong, now known as the “New Territories” was leased to the British. Since China regained sovereignty over Hong Kong on 1st July, 1997, one side of the street has been under Hong Kong government administration while the other side is under Shenzhen local government control. (Source: Hong Kong Police http://www.police.gov.hk/offbeat/633/features.html). Indeed, this situation is actually embodied in the name of the street, which literally means Chinese-English Street.

Chung Ying Street has been described as one of Shenzhen's ten most scenic spots because of its two systems and its historical background. Whilst the street has mundane surroundings, it houses many creative activities and much culture. The signing of the convention between China and the United Kingdom in 1898 transformed the street into a special place where Chinese and Western worlds came together. Over time, both sides of the street became packed with shops which attracted many Mainland travelers and visitors from Hong Kong, making the street a bustling economic centre (Wordie, 2002). During the 1980s, Chung Ying Street was the only place in China where gold traders could sell gold. Many Hong Kong traders and smugglers came to the street to cash in gold. The street was a duty-free zone with reasonable prices and good quality imported products and attracted many Mainland people.

In the 1980’s the Chinese government, under Chinese administrative control, adopted the Western (Hong Kong – British) capitalist-style business system in the shops along the whole of Chung Ying Street. That meant that the retail shops did not have to pay
import duties or adhere to customs controls when purchasing their stock. Also, they
did not have to pay sales tax or income or profit tax. Further, the whole street had only
one retail license held by a state owned enterprise. Therefore, individual shop
operators only needed to lease the trading rights from the operator, rather than register
as individual businesses. This near laissez-faire economic system enabled the shops to
accrue ample profit and run successfully.

2.2 History of Chung Ying Street

In Cantonese, Chung means China and Ying means England or the United Kingdom.
The name Chung Ying Street is an historical marker of the Second Convention of
Peking, a government agreement under which China, then under the Qing Manchu
Dynasty, leased the New Territories of Hong Kong to Britain in 1899 (Sun, 2008). In
1899, the street was a tidal river bank and the high water mark was used by the British
as a border. However the river became shallow at the township of Shatoujiao and
dried up completely before the beginning of World War II. The residents of
Shatoujiao then set up shops for trading (Hase, 1989, 1993). The dry river was
renamed Chung Hing Street (Chinese: 中興街) and later Chung Ying Street (中英街).
The town of Shatoujiao (Sha Tau Kok in Cantonese) flourished during that period.
After World War II, with large influxes of refugees from China, the British
government of Hong Kong decided to close the border, and the town fell within a
closed area and quickly declined (Lim, 2002).

In the late 1970s, China started to rethink its economic strategy and, after fierce
discussions and debates, embarked on building a market economy that would later
change the global economic landscape. In 1981, the central government agreed on
private individual businesses being established, stating that they were "necessary
supplements" (Sun, 2008, p. 3) to the economy. In September 1981, the central
government confirmed that China would shift its focus to opening up and introducing
foreign technologies and capital. While visiting the street in 1988, the then President
of the People’s Republic of China, Yang Shangkun, stated that “Chung Ying Street is
the number one town in China” (Sun, 2008, p. 5). For much of the 1990s, when few
Chinese could get passports or travel overseas, Chinese tourists visited Chung Ying Street to buy foreign goods; mostly watches, clothes and jewelry. The street was regarded as a “treasury street” and a hole in the bamboo curtain (Fung, 2005, p. 2). One side was under socialist rule, the other under Western rule. However, the Chinese Communist Party government opted to use Western capitalist-like business practices in this unique street.

Chung Ying Street has been classified as “One Street Two Systems [and reflects the] Chinese classical system and political model” (Sun, 2008, p.218). Other literature (Gittings, 1967; Lockett, 1988; Yahuda, 1978) suggests that the concept of one country – two systems developed from commercial and political practices in Chung Ying Street. Chung Ying Street was also referred to as “One Street – Two Systems” in 1982 (Sun, 2008, p.231).

Today, although half the street is under Shenzhen City government control, the business system is still Western. There are distinguishing differences between business requirements in the Hong Kong Special Administrative Region (SAR) and China. The major differences are listed in Table 2.1.
Table 2.1: Comparison of Chinese and Hong Kong business systems

<table>
<thead>
<tr>
<th>Particulars</th>
<th>China</th>
<th>Chung Ying Street (PRC part)</th>
<th>Hong Kong SAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government type</td>
<td>Communist Party</td>
<td>Communist Party</td>
<td>Semi-democratic</td>
</tr>
<tr>
<td></td>
<td>Party one-party</td>
<td>Free (similar to Hong Kong)</td>
<td>(partially elected legislature)</td>
</tr>
<tr>
<td></td>
<td>rule</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business model</td>
<td>Control</td>
<td>Under one licence of</td>
<td>Almost laissez-faire</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a state owned corporation</td>
<td></td>
</tr>
<tr>
<td>Commerce &amp; Industry</td>
<td>Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department</td>
<td>Licence required</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>High</td>
<td>Very Low/</td>
<td>Low</td>
</tr>
<tr>
<td>Import duties</td>
<td>0%-80%</td>
<td>Duty free</td>
<td>Only luxury items or specified goods</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>17.5% current</td>
<td>No sales tax</td>
<td>No sales tax</td>
</tr>
<tr>
<td>Profit Tax</td>
<td>25% current</td>
<td>Nil</td>
<td>16.5%</td>
</tr>
<tr>
<td>Services Tax</td>
<td>Nil</td>
<td>5%-7.5%</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Source: Developed for this research

2.3 Chinese background

Before going into the details of the theories, it is important to understand the political and social developments in China that have shaped Chung Ying Street. The evolution and gradual transformation of China as a nation led by Communist Party leader Deng (Xiaoping, 1993) gave rise to the “One Street Two Systems” concept, and this is examined in the next section.

2.3.1 Chinese communism and socialism

From 1949 to 1978, during the so-called social order, whatever the Communist Party thought was desirable was the effective law in China. During this time, China developed ‘rigid protocols of hierarchical decision-making and central planning,
which consolidated power, while systematically discouraging individual decision-making and initiative’ (Ralston, 1995, p. 3). The Chinese political paradigm presented not only the core values of socialism, but also combined the traditional principles of Confucianism and the key elements of Chinese Communist philosophy. Ralston (1995) identifies that the genesis of the preference for higher authority in decision-making can be traced to the Confucian respect for hierarchy. During that period in China, managers at all levels in the communist system had little decision-making authority. In the Chinese socialist structure, decision-making was centralized.

Although substantial changes in management and business practice took place from the 1980s onwards during the so-called Reform Period in China, literature reveals that principles promoted by the communist experience still played certain roles in organizational culture. Perhaps the most persuasive principle is the authorization for decisions from the organizational hierarchy. Child (1994, p. 297) points out that ‘the top-down command structure established in the early days of China’s transition to socialism remains in place’. Ralston (1995, p. 3) has also concluded that ‘the resulting value system among managers of enterprises has been characterized by deference to higher-placed authorities for most decisions and negotiations, and reluctance to recognize responsibility for enterprise performance or change’. From this principle, managers learned that decisions must either emanate from, or at least be agreed to, by significant persons or elements of the bureaucracy. Therefore, the relationship with the person or the person’s position and role is important. Organizational behaviours are driven by the relationship with the person, with a special focus on the position and role of the individual in the communist hierarchy. Building and maintaining relationships with critical persons can gain ‘channels of downward influence bearing on the enterprise’ (Child, 1994, p. 297). Political influence is still exercised by the Party hierarchy, mostly at the enterprise level, where managers have to consult the local party secretary for decisions related to any human resources issues (Oliver, 1991). Although the Party influence in the daily management of state-owned enterprises has shifted, senior managers still have the broad impression of how managers should approach decision-making. When a meeting is scheduled with the enterprise president, the Communist Party Secretary for that enterprise plays an active role in discussing and questioning the data. The Communist Party remains a powerful
factor both for the development of strategy and for authorization at the enterprise level (North, 1989).

Authorization from Party officials impacts organizational behaviour in Chinese enterprises. In the past, many managers avoided making decisions or made them based on a consensus approach, which meant that the responsibility was shared broadly by the directors and leaders of the Communist Party (Child & Lu, 1990). This usually meant final decisions taking a long time to eventuate and frequently resulted in postponing the implementations of those decisions. The reason for this approach was to minimize the risk of disagreement with outside forces and the incurrence of blame, should the decision prove to be inappropriate (Wall, 1990). The top Chinese government leaders (managers of Chung Ying Street) had to face the dilemma of striking a balance between the expectations of the Communist Party secretaries and the increasing demand of villagers for a better economic life.

2.3.2 Deng’s Four Modernizations
In 1978, Deng Xiaoping introduced reforms called the “Four Modernizations” (4個現代化). The Four Modernizations affected the areas of agriculture, industry, national defence and science and technology, and were designed to change the processes of production. The Modernizations made the profile of China one worthy of both investment and the transfer of new technology from abroad.

From that time forward, the Chinese were required to change their mindset from absolute socialism to partial capitalism. The Chinese approach to modernization was one of ‘experiment and learning designed to find a distinctively Chinese and socialist path….rather than accepting the idea of a massive once-for-all economic and political transformation into the Western model of a liberal market system’ (Child, 1994, p. 287). This approach closely parallels that promoted by Confucius in his philosophical treatise titled The doctrine of the mean (中庸). In this work, he proposes that “the middle way” would be the superior way in that it minimizes risks and gradually brings the correct approach. Accordingly, management practices had to be changed. The managers of enterprises had to encourage their employees to strive for new goals
using methods that challenged both the established values of current organizational practices and their own experiences of the role of their leaders. This was difficult for them, because they had no experience in initiating reforms, managing them every day and taking the responsibilities that the Four Modernizations entailed. Twelve years after the introduction of the Modernizations, ‘Chinese managers are currently being given responsibility for making ‘reform’ work at a time when they are ill-equipped to do so… For most managers, this entails immense stress: they have no expertise for purchasing or selling and now are being told to do so under most adverse conditions’ (Wall, 1990, p. 21). The Party secretaries of the enterprises regarded the Modernizations as a direct affront to their original roles that involved maintaining the communist doctrine. A raft of negative comments indicated that many managers were skeptical about Deng’s reforms, and most were cautious, especially those who experienced the Cultural Revolution from 1966 to 1976 (Wall, 1990, p. 21). This suggests that a number of leaders still doubted whether the reform could achieve long-term viability by overcoming the forces of socialism and traditional leadership practices that were deeply entrenched in business enterprises.

However, such constraints could not stop many enterprise leaders from attempting reform by changing their approaches in leading and managing workforces. These change initiatives at the enterprise level brought obvious increases in productivity. After 14 years of the Modernizations, China announced an annual growth rate of 11.4% in 1992, with expectations for a 10% annual increase up to the year 2000 (Ralston, 1995). The two-way world trade volume of China nearly tripled between 1982 and 1989, from $42 billion to $110 billion (Soled, 1995).

In the Four Modernizations period, some clear changes were triggered in terms of the management thinking patterns and leadership approaches. To accelerate the improvement of people’s living standards and meet expectations, enterprise leaders faced two options. The first was to follow traditional relationship-based approaches to management, including the use of guanxi or personal relations built through the exchange of benefit (Drew & Kriz, 2012) to motivate production and to acquire sufficient resources for salary, bonuses and supplies in order to meet the needs of the workers and the business. The second option was to reward the high performance of
staff with bonuses, dismiss non-productive workers and reorganize the productive processes to achieve higher efficiency. The leadership approaches slowly shifted from the former to the latter. Between 1983 and 1988, widespread reductions in the workforce associated with workplace restructuring were reported (Soled, 1995). Such restructuring was partly caused by managers learning to lead through ‘picking and choosing from the reform package’ (Wall, 1990, p. 24). Wall (1990) cites the example of managers who changed their leadership practices to encourage productivity via the pragmatic system of bonuses. Such leaders ‘measure productivity, give bonuses accordingly and even chip away at the basic pay rates of poor producers’ (Wall, 1990, p. 27). Under such leadership, supervisors and workers are encouraged to think out of the box about work, their personal work ethics and quality.

This type of leadership attempts to strike a balance between the non-traditional methods which increase productivity, and the respect for Chinese social traditions. Soled (1995, p. 14) notes that ‘Chinese managers may seem to be adopting Western methods and embracing a system comprised of greater self-determination, but they are doing this pragmatically and within their own cultural context’. They hold firmly to traditional social values and adopt change only to the extent that such change is viewed as being consistent with Confucian social philosophy.

2.3.3 Organizational culture and change
The following review covers management literature specifically in relation to the organizational culture of Chung Ying Street. Chung Ying Street is owned by a single landlord, the local government, and can therefore be considered to be an organization. Any organization must ensure that its management has sufficient expertise and integrity to guide its people through change processes.

Kotler (2002) highlights that, in the fast-changing markets of today, the combined forces of price-sensitive customers, new competitors, new distribution channels, new communication channels, the internet, e-commerce, globalization, deregulation and privatization are creating a new economy. The new economy holds that competitors with the best information systems and intelligence will be the winners. Henry (2001, p. 11) notes that “the rapid rate of technological development has led to an increase in
the pace of change, while globalization and deregulation have led to increased competition.” As a result of the effect of technological advances, deregulation and globalization in the 21st century, the business environment has become much more complex, and change now occurs much faster than it did before. The old ways of thinking and acting, under the conventional strategic approach, are being challenged as to whether they will still be profitable for organizations in this unpredictable and turbulent environment. Moreover, Beer (2002) points out that, in this environment, organizations have to possess organizational fitness – the capacity for strategic adaptation and continuous learning – or suffer the consequences: low performance and ultimate death and destruction.

Experience indicates that, even though some changes may be cost-driven and others built on growth expectations, they are always about change. Change of organizational culture is most often essential to their success. However, change in any environment is a challenge. Management must understand change, anticipate it and prepare for as many aspects of change as one can imagine (Habeck, Kroger, & Tram, 2000).

Hovenden (2002) argues that implementing a new corporate culture may represent a significant values shift for an organization. It can also be highly rewarding and productive, driving the organization to new heights, if conducted in the right context and with careful preparation. The culture of an organization is strongly linked to its management style and processes. Managing the changes, for example around merger activities, sets the tone of the “new” organization, establishes the rhythm of operation, influences the process of decision-making and creates action impulses. Hovenden (2002) further highlights that culture change is the inevitable outcome of any merger. It sets the norms for a new organization and provides a sense of direction, which governs how to behave, what to do and where to place organizational priorities. Culture shapes the willingness of management to exert high levels of effort in creating a vision of the future directed towards the attainment of organizational goals, and is conditioned by people’s ability, behaviour and values.

On the human aspect, Sherer (1994) notes that employees should be equipped with tools to help them deal productively with the concept of constant change, to develop
new relationships and to engender the support of new managers. Culture, image and identity are often at stake during a cultural integration, and stakeholders feel a great sense of loss. Their pride and confidence may be shattered. The uncertainty and an expectation of change impel them to look elsewhere for employment.

It has been posited that the merging of two economic systems with unmatched cultures (Oliver, 1991) may have adverse bearings at the personal and organization levels. Organizational culture differences raise the risk of diminishing the autonomy of the managers of an acquired organisation, resulting in negative attitudes towards the merger. It also has destructive impacts on the effectiveness of the integration process (Weber, 1996).

Cultural incompatibility is a serious problem for “One Street Two Systems” (Sun, 2008), particularly since some of the stakeholders cast themselves as losers in this combination. They feel a sense of vulnerability as well as fear of losing their culture. This type of “losing” stakeholder may suffer from cultural shock and anxiety. Conversely, a self-ascribed “winner” (stakeholder) may develop a strong sense of cultural superiority and consider their business practices and management policies as being superior (Marks & Mirvis, 1997). This closely relates to the concept of “relative social standing”. The management of the Chung Ying Street is thus compelled to break their psychological contact with all stakeholders and abandon their accustomed practices (Sun, 2008).

2.4 Review of relevant theories

2.4.1 General overview

A comprehensive review of both Western and Chinese business literature indicates that this unique phenomenon of “One Street with Two Systems” in China does not appear to have been examined by Western scholars to date. There is no specific literature on this unique phenomenon of one street with two systems. This is perhaps not surprising as this special situation has taken shape only in a special zone in China, due to its unique historical and geographical background.
In principle, economic, social and political issues should be able to provide the base to study a “better model to do business”. There are a number of different theories that could possibly explain the success of the Chung Ying Street. The main theories in the literature that can be applied to explain the success of this unique phenomenon are international economic theories, cluster theory, location theory and institutional theory.

2.4.2 International economic theories – The economic framework

During the 18th century, Adam Smith devised the concept of absolute advantage to explain the cause of trading between countries (Rainelli, 2001). Since that time, our understanding of international trade has improved, although not to the point one would expect. It appears that as this understanding progresses with time, so does the complexity of our world (Krugman, 1999). Researchers seem to be caught in a catch-up game.

Unlike Adam Smith, Ricardo suggests that absolute advantage in producing goods does not lead to trade (Krugman, 1996). Instead, comparative advantage, measured as relative labour productivity between countries, predicts the direction of trade-flow for any goods. Labour productivity is the basis of comparative advantage and leads to the specialization of countries in the production of goods (Krugman, 1996; Rainelli, 2001). Countries allocate resources where they have a comparative advantage in productivity, and specialise accordingly.

Table 2.2 illustrates the Ricardo theory by showing that both countries consume more bicycles and computers after trade has taken place, compared to the initial autarchical conditions. This is due partly to the efficient reallocation of labour for bicycle production in the East, and partly to computer production in the West, according to their respective comparative advantages. Gains arise from the trading of the goods, as well as from specialization of labour. As they both specialise and trade, both benefit from the trade on a country basis (Krugman, 1996; Rainelli, 2001).
Table 2.2: Gains from international trade 1997

<table>
<thead>
<tr>
<th></th>
<th>Bicycles</th>
<th>Computers</th>
<th>Bicycles</th>
<th>Computers</th>
<th>Bicycles</th>
<th>Computers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>pcs</td>
<td>pcs</td>
<td>pcs</td>
<td>pcs</td>
<td>pcs</td>
<td>pcs</td>
</tr>
<tr>
<td>East</td>
<td>125</td>
<td>5</td>
<td>250</td>
<td>0</td>
<td>130</td>
<td>10</td>
</tr>
<tr>
<td>West</td>
<td>250</td>
<td>50</td>
<td>150</td>
<td>70</td>
<td>270</td>
<td>60</td>
</tr>
</tbody>
</table>

Source: Trade Wind, Economist (8th November 1997)

The high level of specialisation predicted by the Ricardo theory does not happen in the real world (Krugman & Obstfeld, 2000). Friction among the world’s different economies leads to non-traded goods being produced in both countries. Import duties, quotas, transport costs, differences in labour skills and/or technology and imperfect competition are all conditions leading to the production of non-traded goods (Berry, Conkling, & Ray 1997, Krugman & Obstfeld, 2000; Rainelli, 2001).

Another assumption in the Ricardian theory is that countries' resources are similar and thus do not influence trade flow (Krugman & Obstfeld, 2000). Labour is also assumed to be mobile between industries, following changes in the product mix as reallocation among sectors occurs over time. This assumption, which was likely to have been valid in Ricardo’s time, relates more to homogeneous unskilled or semi-skilled labour. The model also implies that capital is fixed, and that the economy is operating at a constant return. In Ricardo’s view, economy of scale, crucial in capital intensive industries, is put aside as a cause of trade. The Ricardian theory to explain the trade flow between countries (Krugman & Obstfeld, 2000) is based on the single factor of labour productivity. In capital intensive industries, where the labour component is lower than in other industries, the Ricardian theory might not explain trade-flow very well. Accordingly, other theories of international trade, where capital is taken into account as a production factor, have been developed.

The specific factor theory, developed by Samuelson and Jones in 1971, takes into account factors other than labour, such as capital and land. These factors are specific
to an industry, are not mobile and cannot be reallocated (Krugman & Obstfeld, 2000). The specific factor theory asserts that trade results from differences in resources between countries, rather than purely from differences in relative labour productivity. A difference in the relative supply curve between countries is the source of trading between these countries (Krugman & Obstfeld, 2000). A core idea coming out of this theory is that one country’s existing resources are at the heart of a firm’s advantage in the international market in the first place.

However, the assumption that capital factors are fixed must be questioned. Contrary to the specific factor theory, the Hecksher and Ohlin theory of trade (H-O), one of the dominating theories of the second half of the 20th century, considers that:

- All factors are mobile, including capital factors; however they have different mobility rates (Krugman, 1999).
- Countries are different in terms of factor endowment, capital and labour (Berry et al., 1997).
- Goods are either capital or labour intensive and differ in factor intensity (Berry et al., 1997).

As a result, H-O theory argues that the only source of trade between countries is their difference in resources, or factor endowments (Krugman & Obstfeld, 2000). Economic agents trade off one factor against another, depending on their relative costs, to determine the optimal factor combination that will result in the lowest total cost. For example, the USA has a population of 260 million, compared with France’s 60 million, and a land area of 9,360,000 million km², compared with France’s land area of 550,000 km². France, thus, has abundant labour relative to the USA, and the USA has abundant land when compared with France. Countries export whatever factor products they have abundant supplies of, and specialise accordingly. Once countries trade, the H-O theory predicts that price equalisation will occur. Thus, all factor inputs finally have the same price (Krugman & Obstfeld, 2000). In fact, if the H-O theory is correct, countries should either export or import, not both (Gray, 2000). In 1953, Leontief pinpointed that empirical data conflict with the H-O theory. At that time, the USA should have imported labour-intensive goods and exported capital-
intensive goods, but, in reality, the opposite was noticed. Recent studies show that the so-called Leontief paradox is still present in the economic world (Krugman & Obstfeld, 2000).

The main explanation provided for this paradox is that the quality of labour ranges from unskilled to highly skilled, leading to different labour endowments among nations (Rainelli, 2001). Although overall empirical proof of the H-O theory was not found, the North-South trade data provided better support (Gray, 2000; Krugman & Obstfeld, 2000). However, it should be noted that only about 10% of world trade is based on the H-O theory, and it is not so relevant to the remaining 90% of trade flow (Krugman & Obstfeld, 2000).

So far, the focus has been on differences in factors and comparative advantage between countries, leading to international trade. However, the striking fact today is that trade takes place among countries with similar factor endowment. Thus, these trade theories, suitable for explaining North-South type of trade, have been increasingly questioned in an attempt to explain the trade flow among the triad countries of USA, EU and Japan. (Gray, 2000; Krugman, 1980; Rainelli, 2001).

In today’s economy, 76% of the world trade-flow takes place among countries with similar economies and GNP per capita. Thus, the assertion that globalisation involves all the world’s nations is overrated and not supported by economic data. The other striking fact is that most of the exports, 40% in the NAFTA (North American Free Trade Agreement) region and 60% in the EU region, are actually intra-region, rather than inter-region trade. Thus, regionalisation rather than globalisation is clearly the name of the game on a worldwide scale (Rugman, 2001).

Test results of the Ricardo, Specific Factor and H-O theories of international trade have been disappointing, and this has led to the development of alternative theories to explain cross border trade. In 1961, Posner stated, through his technology theory of trade that trade flow reflects the distribution of technology among nations. Posner (1961) considered R&D as a factor endowment equivalent to capital or labor within the H-O theory. Vernon (1996) introduced the concept of the life-cycle, where innovative activities are located in innovative countries which then export innovative
products to less developed countries until the technological gap is closed. Both theories consider R & D as an absolute advantage.

Contrary to all the above assumptions, in 1961 Linder stated that similar, rather than different, factor endowments lead to trade. Domestic demand is then placed at the centre of Linder’s trade theory (Berry et al., 1997; Linder, 1961). Three main reasons for this were put forward:

- There must be a local demand before a nation can export; Krugman (1980) and Porter (1990) confirmed this.
- Domestic demand is necessary in order to learn how to succeed in an industry.
- Trade is at its greatest between nations having similar demand levels.

So far, the firm has been absent from international trade theories, where countries are identified as the sole determinants of the direction of trade-flow. Factors such as transportation costs, economy of scale, product differentiation, import duties and taxes are considered as non-existent in these theories. Basically, the assumptions of all models are that the market is efficient, and in perfect competition (Krugman, 1980; Krugman & Obstfeld, 2000; Rainelli, 2001).

New trade theory attempts to introduce some firm specific factors to better reflect the reality. One of these firm specific factors is economy of scale. In 1879, Marshall was the first to identify economy of scale as a potential factor to explain trade (Rainelli, 2001). Ohlin, in *Inter-regional and international trade*, held the view that increasing returns play a role in trade flows (Krugman, 1999). Krugman followed by modeling the ideas of Marshall and Ohlin in a new trade theory (Krugman 1980, 1999; Rainelli, 2001).

Economy of scale, defined as the higher relative output achieved as input increases, is very relevant to capital intensive industries. Economy of scale can be external or internal. In some cases, scope rather than purely scale leads to an economy driven by size. External economies of scale comprise country reputation, market size, and the pool of skilled labour, specialised utilities and services and the presence of specialist operations serving several firms at the same time (Berry et al., 1997). When industry
is concentrated in a single location, all firms benefit from lower costs of service providers. Firms located in large nations tend to have a cost advantage due to market size. Under this type of external economy of scale, “the cost per unit depends on the size of the industry, but not necessarily the size of the firm” (Krugman & Obstfeld, 2000, p. 121); although it can be both. Economy of scale can be internal and product specific, plant specific, multi-plant or corporation specific (Berry et al., 1997). Economy of scale is by no means infinite. Eventually, as an operation grows, larger scale does not necessarily offer cost savings, and there might even be a negative impact on cost. When such thresholds are reached in division of labour, complexity grows at a rate of one and a half times the capacity and makes the oversized firm inefficient (Berry et al., 1997).

2.4.3 Cluster theory

About 80 years ago, the phenomena of agglomeration of similar businesses, or clusters, was observed by the then noted economist Marshall (1920). Although highly publicised in today’s academic research, clustering is not a new phenomenon. A cluster is defined as a concentration of interconnected companies and institutions in a specialized industry, or value system of an industry, producing goods, services and/or innovations (Porter, 1998).

The focus of research during the past ten years has been to explain “why, in a globalised world where one can move activities around the globe faster than ever, agglomeration has such importance” (Hall, Bockett, Taylor, Sivamohan, & Clark, 2001, p. 214). The so-called global paradox of a “sticky place in a slippery world” is a facet of our business world (Naisbitt, 1994; Markusen, 1996). In an increasingly open economy, transaction costs are high and inefficient activities cannot be continued. As product lifecycles shrink and information transmission becomes quicker, the time available for learning becomes shorter. Firms prefer to tap directly where the product, know-how and activities pool are located. Such activity pools are located in clusters (Enright & Roberts, 2001; Gordon & McCann, 2000; Porter, 1990). As a result, geography and location matter more in today’s global world than they have ever before in history (Enright, 1994; Enright & Roberts, 2001). Krugman’s proposition, on the presence of increasing return of scale, provided the rationale for industrial
clustering, as it is perceived in our contemporary world (Krugman, 1991). For a company located in a cluster, economic gains arise from:

- Industry specific infrastructure and intermediary products market (Muchielli, 1998).
- Reduced search costs and perceived risks of buyers (Porter, 1998).
- Productivity increases for the surviving entities in the cluster (Porter, 1998).
- Increase in innovation and speed of innovation (Doz, Santos & Williamson, 2001; Porter, 1998).
- Implicit/explicit networks among agents in the network (Gordon & McCann, 2001).
- Maximum flow of ideas and information among companies favouring spillover effects (Gordon & McCann, 2001; Marshall, 1920; Mucchielli, 1998).

All cluster benefits arise from scale of economies (Krugman, 1991; Porter, 1990; 1998) and interactions and linkages among participating firms (Gordon & McCann, 2001; Porter 1990, 1998). These benefits are contingent upon the development of social networks and the firm’s ability to become an active “insider” in these networks, by building the necessary trust and collaboration (Doz et al., 2001;; Enright & Roberts, 2001; Porter, 1990, 1998).

The best known model of cluster development is Porter’s diamond model (Porter, 1990) which describes clearly the forces and the sequences of forces at play leading to the formation of clusters in specific industries and locations. Although these forces were seen at a national level, they should also be seen in the context of place, rather than purely country. Basically, Porter identifies four country factors, which largely
determine the strength of the competitive advantage of an industry in a nation (Porter, 1990):

• Factor conditions are the country production factor endowments such as human resources, physical resources, knowledge, capital, and infrastructure (Dunning, 1998; Porter, 1990).

• Demand conditions are characterised by the composition of home demand, size and pattern of growth and internationalisation of home demand.

• Supporting industries pinpoint the need for internationally competitive suppliers as the core industry. Related industries pinpoint the role of industries with similar needs leading to some competitive advantage for all.

• Firm strategy and structure, in its national context, influence the way an industry is positioned to compete internationally. Each nation, with its social values, influences the way business is managed, tending to succeed where the national environment is well suited to the industry’s source of competitive advantage. Strong rivalry at home among players is at the key source of international competitive advantage for the surviving firms. Rivalry allows a nation’s firms to up-grade their competitive advantage continuously through a virtuous cycle.

Influencing the interactions among these four factors is the role of chance. Chance influences the four factors through technical inventions, or shifts in consumers’ tastes, providing new opportunities for some industries while destroying others (Allred, 1999). Also, government action is vital to create and maintain a conductive business environment (Porter, 1990). Factor conditions are affected by a government’s macroeconomic policies, general policies on education and capital markets, etc. The same can be said of demand and its characteristics being influenced by fiscal policies, the setting of standards and regulations, and buyers of goods such as telecommunications, airline, defense, construction, roads and public goods (Porter, 1990).

In summary, natural resources are not sufficient to sustain national and firm competitiveness (Allred, 1999). Consumption patterns, industry structure and firm
rivalry create pressure on players to progress and innovate to a critical level in order to compete at an international level. Thus, the country is mostly setting a national context in which firms innovate and may eventually jointly develop a cluster that is competitive internationally (Allred, 1999; Porter, 1990). On the other hand, there are forces that hamper cluster formation, such as “congestion” or overcrowding problems developing in a place, leading to higher costs (Mucchielli, 1998). This is also visible when a resource is in short supply for the cluster’s participants. Also, competition that is too intense can make the industry unprofitable. Thus, agglomeration is caused by both centripetal forces and dispersing centrifugal forces (Mucchielli, 1998).

At this point in time, differing opinions are emerging on the importance of the home nation. For some academics, it is central as a source of competitive advantage for any international firm, due to location-bound decade-long accumulated knowledge (Rugman, 1996). As a result, one cannot separate the competitiveness from the place, or the characteristics of the place (Linder, 1961; Porter, 1990). Another stream of thinking recognizes the importance of the cluster, but in a different way. This stream does not see the home nation as being a dominant factor in the company’s competitive advantage as long as the company develops organisational abilities to sense and tap into the existing pockets of knowledge to spread worldwide. Location Theory has two major approaches, the micro-economic approach and the macro-economic approach. Bertil Ohlin was one of the earliest scholars to have explicitly emphasised an understanding of the role location plays in business. More recently, other scholars, including Brakman, Garretsen and van Marrewijk (2001), also expressly demonstrated the importance of location in An introduction to geographical economics: Trade, location and growth. There are also classical and non-classical approaches to the application of location theory. The body of classical location theory is mainly based on micro-economic equilibrium reasoning. The four major classical location theories, namely land use, industrial location (production orientation), central places (market areas) and spatial competition, are important for explaining the selection of the business model.

Johann Heinrich von Thunen (1783-1850) proposed the Land Use Theory which emphasises transport costs. Later, Alonso (1964) further extended the study by using the mono-centric city model of research to demonstrate that the optimal cost by
distance between residential and commercial areas. Since Chung Ying Street does not involve the production function, the classical industrial location theory does not apply. The Central Places Market Areas Theory, developed by Walter Christalier (1893-1969), focuses on the optimal market areas. He studied the distribution of households and their demand functions against the allocation of transport costs to individual goods. These theories are mostly based on model research assumptions and variables associated with geographical factors that affect transport costs and the geomorphology (Doz et al., 2001). This is a recent proposition with marginal empirical support.

2.5 The theories relating to the study of Chung Ying Street

2.5.1 Spatial pricing theory and basing-point pricing theory.
The Spatial Pricing Theory involves a study of price differentiation and discrimination in space. The Basing-point Pricing Theory was developed by Hoover (1937) and later by Greenhut, Beckmann (1968) to examine the pricing model for convenient stores.

2.5.2 Institutional theory
Thorstein Veblen (1899) introduced Institutional Theory on his book The Theory of the leisure class: An economic study of institutions. Scott (1987) suggests that the theory has passed its youth and reached adulthood. Barley and Tobert (1997, p. 94) suggest that institutions are “socially constructed templates for action, generated and maintained through ongoing interactions” and “shared rules and typification that identify categories of social actors and their appropriate activities or relationship.”

Powell and DiMaggio (1991) first used the term “new institutionalism” to define an emerging perspective in organization theory and sociology. The term is very different from the rational-actor models of classical economics. The theory tries to use cognitive and cultural reasoning of social and organizational phenomena by taking into account the special characteristics of supra-individual units of analysis that cannot be reduced to aggregations or direct results of individual’s motives or contributions.
Scott (1995) indicates that ‘in order to survive, organisations must conform to the rules and belief systems prevailing in the environment’ (Xu & Shenkar 2002, p.609). Institutional theory puts its main emphasis on the deeper and more resilient factors of social structure. It considers “the processes by which structures, including schemas, rules, norms, and routines, become established as authoritative guidelines for social behavior” (Scott, 2004, p. 214). Different components of institutional theory explain how these “elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse” (Scott, 2008, p. 215).

Scott clearly distinguishes seven general trends of institution theory, largely from the sociology literature. These trends confirm the progress of the theory in different aspects, and each trend seems to be a steady and gradual process. The seven trends are:

- from looser to tighter conceptualization,
- from determinant to interactive argument,
- from superficial to consequential change,
- from assertion to evidence,
- from organisation-centric to field level approaches,
- from non-rational formulations to rationality within institutional frameworks and
- from institutional stability to institutional change


The other perspective of institutional theory, represented by the work of Nobel Prize winning scholar Douglass North, is largely economic. There are many supporters (Coase, 1937; Hodgson, 1994) for North’s studies, which consider game theory, behavioural assumption, rational choice theory, transaction cost theory of exchange, and path dependence as the base of the institution theory (Arthur, 1988, 1989). The related concepts, such as the transaction costs, property right, time, change and economies of scale, are also included.
North has made significant contributions to Institutional Theory. He identified that institution theory contains a number of key concepts including games theory, path dependence, transaction costs, property right and economies of scale. However, he provides limited quantitative data, empirical evidence in his research.

Institutions may be regarded as informal or tacit such as codes of conduct, customs and traditions, and formal or explicit such as rules, such as laws, constitutions and property rights. North extended his previous analysis (Wallis & North, 1986) of the political institution (North & Weingast, 1989) and further developed his theorising drawing on the work of other scholars (see for example, North, 2005). North identifies several institution-related terms such as the institutional framework, institutional change (North & Arthur, 1988, 1989), institutional matrix and institutional evolution. He emphasises this theory in the economic perspective, in particular to elaborate the role of institutions in the economic process and to demonstrate findings from economic history.

North’s research studies (2005) provide many examples of economic and historical evolutions of the theory in Latin America, Middle East and Europe, especially, Spain and England. However, there is no detailed study of Asian countries, such as China. According to North, the form and mode of exchange and trade, trade finance, capital markets, technology, property rights, transaction costs, organisations, division of labour and specialization, legal structure, court system and innovation affect the evolution and effectiveness of institutions.

Other factors that affect the evolution of institutions include organisational transformation, enforcement techniques and means, new instruments developed to resolve problems caused by agent control, contracts law, information needs, economy of scale, uncertainty and risk factors (Mitchell, 1969; North & Weingast, 1989: Tracy, 1985).

There is strong evidence that organizations in various types of economies react differently to similar challenges. “Social, economic and political factors constitute an institutional structure of a particular environment which provides firms with
advantages for engaging in specific types of activities there. Businesses tend to perform more efficiently if they receive institutional support” (Knetter, 1989, p. 200).

Martinsons (1998) developed a Theory of Institutional Deficiencies (TIDE) that proposed the concept that relationship-based commerce prevails in places where rule-based commerce cannot grow healthily due to institutional deficiencies. He further demonstrates how the use of relationship-based e-commerce in China has received a poor response because of a general lack of trust and absence of enforceable rules or laws and illustrates that institutional theory has been previously applied to research in the Chinese context.

Drew and Kriz (2012) discuss five extant frameworks that constitute effective research tools for studying institutional change across and between cultures. As “One Street Two Systems” involves Oriental and Western cultures and political systems. Therefore, a review of such frameworks may provide an effective tool for this research.

The five extant framework and concept models were developed by five highly respected scholars. North (2005, p. 30) proposed a framework to analyse antecedents of economic and institutional change. Five key constructs, namely perceived reality, beliefs, institutions, policies and altered perceived reality, were examined through a rotating feedback loop with human belief systems as the core. He suggests that examining institutions in different polities is an important future research.

Scott (2010) offers the “three pillars” framework for the analysis of institutions’ and institutional evolution. His three pillars are cultural-cognitive, normative and regulative, with each being deeply rooted in social structures. The framework, however, does not provide deep understanding and details of the initial drivers to explain the differences from one polity to another.

The third framework was developed by Geoffrey Hodgson (2010) as the Darwinian Conception of Human Cognition and Action, which takes into account the complex
and emergent formal and the informal properties of institutions. The core drivers are instincts (black-boxes), however these are difficult to define and identify.

The fourth framework is Redding (2008). This framework explains and delineates culture from institutions and indicates some of the roots of institutions. However, there is again no way to identify the drivers that form the foundation of what Redding defines as meta traditions.

The fifth framework by Ostrom (2008, p. 820) is called the Institutional Analysis and Development (IAD) framework and Ostrom proposes that there are ‘universal components of all frequently encountered institutional situations’. The IAD framework has been developed over thirty years (Crawford & Ostrom, 1995; Oakerson, 1982; Ostrom, 1986, 1999, 2011; Ostrom et al., 1994) and has been used to conduct empirical institutional studies and analysis across a range of societies.

The IAD framework has three principal spheres, namely exogenous variables, an action arena and outcomes. This is a multi-layer framework that provides the opportunity for several layers for institutional analysis (Ostrom, 2008). The external variables interact with actors in different situations or roles, resulting in feedback and potential institutional change within the enclosed system. To enable deeper analysis, the three principal spheres can be further unpacked. The application of the rules-in-use, physical/material conditions and community attributes are in place in the framework system.

There are seven rules used in the action arena. These are classified as: boundary, positional, authority, scope, aggregation, information and payoff. Physical/material conditions are the physical/material conditions where activities occur within the environment, controlled by the set rules. Attributes of community (other external variable factors) denotes the cultural variables such as participants’ language, a group’s norms and homogeneity of preferences.

The action arena is the space in which actors perform their activities. This is a specific (business or other) environment in which individual performers play their parts (e.g.
the selling or buying of goods or the provision of services to others). The interactions, reactions and feedback processes provide results through the Outcomes sphere. The results are then evaluated through the evaluation criteria by the actors who review and may revise future actions, leading to a change within the system.

Chung Ying Street satisfies the IAD three principal spheres as follows:
1. Exogenous variables - these include physical / materials conditions, attributes of community and the rule-in-use;
2. An action arena – this is a special restricted street;
3. Outcome – there consists a pattern of interaction and has evaluative criteria.

The geographical location, environments and phenomenon of CYS provide a very suitable parameter that is best fit for the use of IAD as an analytical tool for this research project.

Even though the IAD is considered to be more advanced than that the other four frameworks and is most suitable for this research, as with the other frameworks, it does have one major weakness, it does not address the ontological antecedents of institutions (Drew & Kriz, 2012). This noted however, such foundations are not required for this particular research. The IAD Framework is illustrated in Figure 2.1 and the Rules in use are illustrated in Table 2.3 and applied to Chung Ying Street in Table 2.4.

Figure 2-1: The Institutional Analysis and Development Framework (IAD)

Source: adapted from Ostrom (2008, p. 829)
Table 2.2: Definition of rules-In-use

<table>
<thead>
<tr>
<th>Rules</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boundary</td>
<td>Number of participants, attributes, resources available, conditions for entry/exit</td>
</tr>
<tr>
<td>Position</td>
<td>Positions undertaken by respective participants</td>
</tr>
<tr>
<td>Authority</td>
<td>Set of actions each specific actor may or not be able to take</td>
</tr>
<tr>
<td>Scope</td>
<td>Delimit outcomes that can be affected and actions that may be undertaken</td>
</tr>
<tr>
<td>Aggregation</td>
<td>Affect the level of control each actor has based on their position</td>
</tr>
<tr>
<td>Information</td>
<td>Affect the knowledge-contingent information sets of each actor</td>
</tr>
<tr>
<td>Pay-off</td>
<td>Affect costs and benefits assigned to particular combinations of actions and outcomes, and establish deterrents/incentives</td>
</tr>
</tbody>
</table>

Adapted for this research from Ostrom (2008)

Table 2.3: The IAD framework applied to Chung Ying Street

<table>
<thead>
<tr>
<th>Exogenous Variables</th>
<th>Physical/Materials conditions</th>
<th>Action Arena</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Physical location, geographic conditions, traffic</td>
<td>Action Situations</td>
</tr>
<tr>
<td>Rules-in-Use</td>
<td>Demographic data of villagers, tenants, landlords, and customers</td>
<td>Actors</td>
</tr>
<tr>
<td>Rules</td>
<td>The China and Hong Kong regulations applying to Chung Ying Street</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Patterns of Interaction</th>
<th>Evaluative Criteria</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Interactions and relationships among landlords, tenants, customers and villagers</td>
<td>Cultural-cognitive features; normative features; regulative features</td>
<td>A prosperous zone, high incomes</td>
</tr>
</tbody>
</table>

Adapted for this research from Ostrom (2008)
2.6 Research questions

The aim of this research project is to explore how the institutional context of commercial activity in Chung Ying Street has evolved from 1978 to 2014. This aim is to be achieved by developing a range of questions based on Ostrom’s (2008) IAD framework and posing such questions to stakeholders in Chung Ying Street.

The overarching research questions in this study are as follows:

RQ 1: How does institution theory explain the phenomenon of Chung Ying Street, Shenzhen China?

RQ 2: How is institution theory demonstrated in the street and the interactions among people (actors) in the street, namely the villagers, shop managers, community leaders and government officials, and what are the differences between and similarities in the economic activities under the two political regimes: the Chinese Communist Party and the British governments?

RQ 3: Which variables from the Institutional Analysis and Development framework are most important in explaining the success of Chung Ying Street?

Chapter 3 discusses the research methodology and design issues associated with undertaking this research project.

2.7 Conclusion

In conclusion, this chapter has provided a comprehensive review of extant literature on Chung Ying Street, examined a range of theories for exploring economic development including economics theories and variations of institutional theory and has identified that Ostrom’s (2008) IAD framework is a suitable device to use in explaining the development of Chung Ying Street. This chapter has also posed three overarching questions that this research aims to answer. Chapter 3 discusses the research methodology and design adopted to undertake the research.
CHAPTER THREE: RESEARCH METHODOLOGY AND DESIGN

3.0 Introduction

This thesis discusses the “One Street Two Systems” and the rationale for the selection of the best business model, from the socialist and free market systems, by using a real and unique street (Chung Ying Street) located in China for retail business, as the research project. Since this has not previously been undertaken, the researcher needs to choose carefully an appropriate and suitable research methodology to obtain satisfactory test results. For this exercise, qualitative research tools are considered since there is generally no precedent and this research is exploratory (Cavana, Delahaye, & Sekaran, 2001).

3.1 Background to the research methodology and design

Further to the selection of relevant literature and theory for the identified research problem, an appropriate research paradigm must be considered. Research is a way to find knowledge by a scientific, systematic and objective means to explain a specific phenomenon. Research assists the construct of our thought (Mingers, 2001) to give an underlying explanation. Research methodology means the tools used by a researcher to explore the reality of a research problem (Carson, Gilmore, & Perry, 2001). The design process is defined by the Oxford Dictionary as deciding how something will work by making plans or models.

The choice of research methods is closely related to different problem structures and also their nature (Ghauri, Grønhaug, & Kristianslund, 1995). There are three major schools of thought for business research, namely: positivist research, interpretivist research and critical research (Cavana et al., 2001; Gephart, 1999; Lincoln & Guba 2000). Three research methods are commonly used, qualitative, quantitative and mixed methods (Bryman & Bell, 2002).

Qualitative research is commonly used in relation to human behavior where field work cannot be measured by numbers. Quantitative research can usually assess outcomes by quantity (Rosanas, 2007).
The primary objective of this research is to explain the drivers that contribute to the success of the Chung Ying Street (CYS) in China as operated by both traders from the socialist and free market systems. As there is no specific or adequate theory to explain the phenomenon of CYS, a qualitative method is the most suitable technique to use (Eisenhardt, 1989). Qualitative research also uncovers the interaction, influences and actions of actors (Murphy, 1995).

3.2 Research philosophies and paradigms

Research is a complicated and complex process which in turn affects the results of an investigation. There are three main streams of concepts and paradigms (Kuhn, 1962) to guide the process of the research exercise, namely, positivist research, interpretive research and critical research.

3.2.1 Positivist research

This type of research assumes that all people have the same belief for the results derived from measuring theory. It is a relatively precise way to collect and analyze the data for objective results (Carson et al., 2001). Research can help find phenomena and principles to forecast human behavior (Gephart, 1999; Lincoln & Guba, 2000). The types of positivist research methods include questionnaires and experiments.

3.2.2 Interpretive research

This kind of research is comparatively unstructured or semi-structured, where researchers act as an instrument (Carson et al., 2001). It focuses on human interactions, and exploring ways of getting insight into interviewees’ feelings. Interpretive research methods include: interviews, focus groups, conversational analysis, participant observation, ethnography and case studies (Gephart, 1999; Lincoln & Guba, 2000).

3.2.3 Critical research

This type of research emphasizes the unrealized potential for transformation of the universe for the better. It aims to empower people to create a better world for themselves (Ghauri et al., 1995). The researcher is dedicated to recognize outside illusions and desires in relation to changing the world (Cavana et al., 2001).
research method includes dialectical analysis (Gephart, 1999; Lincoln & Guba, 2000), field research and historical analysis.

3.3 **Choose the right research approach**

The above three schools of thought provide guidelines for choosing: (1) what type of research method is suitable; (2) in what ways the research should be conducted; and (3) how the results of the research should be derived (Ghauri et al., 1995).

This research topic is about exploring and understanding the rationale of the government’s involvement in complex relationships and its decision to use a capitalist-like model in a socialist regime. The author decided to use institutional theory and a socially constructed rationale of reality (Gepthart et al., 1995) to explain the success of the “one street two systems” business model. Therefore, this research can be classified as the interpretive approach (Van Maanen, 1979), which addresses a factual realistic unique street, by identifying the main reasons and understanding of questions related to the problem under investigation (Denzin & Lincoln, 1998). The interpretive research paradigm may discover important in-depth and insights into a problem in a managerial context. It tries to explain a question without prior judgment (Carson et al., 1998).

3.3.1 **Different qualitative research tools**

Several different qualitative techniques reported in extant literature (Denzin & Lincoln, 1998; Patton, 1990), have been considered for this research. To explore causes and increase understanding of a specific phenomenon, case study research was considered (Patton, 1990; Yin, 1994). However, as this is a unique situation and no related studies have been found in the Western literature, this was considered not to be an appropriate method.

Another method is the emerging grounded theory (Denzin & Lincoln, 1998), which is used when extensive extant literature is available for in-depth explanations of subject matter. As this is a new topic with minimal literature available, grounded theory is not a suitable approach.
Another method is the convergent interview, which is used to narrow the scope of research work, and to identify suitable questions for further research, with the aid of the unstructured interview (Nair & Riege, 1995). As the scope of the literature for the topic is well defined, this method was not applied.

The focus group interview is another common qualitative tool. The main purpose of the group interview is to collect data through group members’ interactions, which cannot produce results like in-depth one-by-one interviews (Morgan, 1988). Since this research seeks to collect in-depth confidential information, the focus group approach is not suitable.

3.3.2 Best suited research method
Qualitative research methods such as in-depth and open-end approaches can capture the complex reasons for and the magnitude of decision making patterns within an organization (Das, 1983). Thus, the in-depth interview method (Minichiello et al., 1995) has been adopted for this study. It concentrates on collecting detailed narrations of the episodes, interactions and predicaments of people (Patton, 1990). The interviewees can provide information about the real operations of a business and the participants’ real experiences (Das, 1983) through the use of semi-structured and open-ended questions related to the prior theory as a loose frame (Eisenhardt, 1989). The interviewees are asked to share their unique experiences and inside information in a non-threatening environment (Cooper & Emory, 1995) using guided semi-structured interviews (Patton, 1993). A well set up environment enables the interviewees to relax and shed their reluctance to give confidential and sensitive information.

This technique and process is similar to what Neuman (1994) describes as ‘no definitive beginning or conclusion, place the order of questions determined by the situation, provide often controversial views, and the interviewer encourages depth and sets the pace of the interview as the situation requires’. It is a face-to-face interview for conducting in-depth and semi-structured interviews (Sturges & Hanrahan, 2004).
3.4 Research methodology and design

This refers to the overall planning of the research design and process, from theories to data collection and analysis (Hussey & Hussey, 1997). Descriptive, hypothesis testing and exploration based on different research philosophies can be used (Cavanna et al. 2001). The implementation is in phases which include: sampling method, interview protocol, pilot interview, participants’ selection, transcription and coding.

As mentioned above, the individual in-depth interview is the method that has been chosen for this research. Qualitative research puts the main emphasis on words (Silverman, 1993) rather than numbers in the gathering and examining of data. Qualitative interview methods enable researchers to understand an in-depth problem and complicated issues (Patton, 2002). The analyst can formulate and set out complex scenarios in a logical manner. Some abstract meanings or feelings such as relationship, experience and actions can be probed in the interview (Murphy, 1995).

Research data was collected through in-depth semi-structured personal interviews (Miles & Huberman, 1994; Neuman, 1994) conducted in shops and offices in Chung Ying Street, Shenzhen, China. Shop operators were invited to be participants in these in-depth personal interviews, in order to collect their individual personal views, and to explore their feelings, experiences and interpretations (Patton, 1990). The aim was to comprehend the rationale of setting up retail businesses in the free market (Hong Kong style) model under the socialist system.

The interview protocol acted as the guide, providing the general direction for the semi-structured questions (Patton, 1990). The language used in the interviews was Chinese (either Cantonese or Putonghua) as most shop respondents were Chinese. The researcher is fluent in Cantonese, Putonghua and English, so the transcripts obtained were in Chinese and were later translated into English. As the interviewer is competent in Chinese languages and English, the possibility of misinterpretation (Carson et al., 2001) was minimal.
3.4.1 **Sampling method**
As the research aimed at gathering in-depth quality data rather than representative data, a non-probability sampling technique was used (Miles & Huberman, 1994). The researcher was supported by all of the owners in Chung Ying Street (about 100 shops), and was invited to interview at least 10% of shop operators.

To maintain confidentiality, the street owners who helped to invite respondents to be interviewees had no knowledge about who finally participated. The respondents, if not willing to identify themselves to other respondents, were not informed about the other respondents in the interviews.

3.4.2 **The research problem:**
The general problem is: What is the model for the process of institutionalization of Chung Ying Street?

The overarching research questions are:

**RQ 1:** How does institution theory explain the phenomenon of Chung Ying Street, Shenzhen China?

**RQ 2:** How is institution theory demonstrated in the street and the interactions among people (actors) in the street, namely the villagers, shop managers, community leaders and government officials, and what are the differences between and similarities in the economic activities under the two political regimes: the Chinese Communist Party and the British governments?

**RQ 3:** Which variables from the Institutional Analysis and Development framework are most important in explaining the success of Chung Ying Street?

3.4.3 **Pilot study**
The questions were developed from a pilot study. The researcher interviewed one representative shop operator in Chung Ying Street. The full procedure, purpose of the study and the rights of the participants were clearly explained to this respondent in
person, well ahead of the interview. The questions in the interview were provided to the interviewee 3 days before the interview. Patton (1990) strongly recommends doing tape recordings during interviews. Thus, consent was required from each interviewee for the recording. However, the researcher also took notes from the answers of participants. Based on the test, results identified from the pilot study and a further review of the relevant literature, the overall direction for questions in the interview protocol design was finalized.

3.4.4 Interview protocol and process
An interview protocol was used, which outlined the general guidelines for in-depth personal interviews, ensuring that the research objectives were fully addressed and consistency was maintained across interviews (Eisenhardt, 1989; Minichiello, 1990; Patton, 1990). This also provided flexibility to modify, edit, add or delete questions during the protocol exercise. The aim of the research was to explore the reasoning, rationale and experiences of different entrepreneurs in conducting business in a socialist country, while being allowed to use a capitalist-like business model.

Thus, the protocol included questions about the shop operators’ beliefs, business attitudes, perceptions of the phenomena, and expectations of the business operators, mutual understanding between the local government and Communist Party and the entrepreneurs, and feedback from other street shop operators. At the end of every interview there was an open-ended session to allow respondents to reflect on what their main concerns and suggestions were as to how to improve factors that could give them more business opportunities.

All invited potential respondents were clearly informed about the purpose of this research through an introduction letter, together with the interview invitation distributed by the owners of the whole street on the researcher’s behalf. Three days before the actual interview, the interviewees were informed of details about the context, sample questions and procedure of interviews by personal phone calls and emails. Any doubts were clarified by the researcher before a question was answered. It was vital that the participants were well aware of the purpose of the research because that relates to validity (Yin, 1994).
3.4.5 The IAD and question design

The interviews were designed to expose the three illustrations of common situations related to the IAD framework where: (1) Goals are different but compatible and explicit; (2) Goals of the less powerful are not made explicit; and (3) Goals are confused with targets, so that information is incomplete. The questions would be answered by the following persons:

- Shop operators
- Villagers
- Members of management team of Chung Ying Street
- China Government Officials

Goals of all Actors Made Explicit.
In Chung Ying Street, the government and an indigenous community found that they had several compatible goals and were able to forge a lasting and productive collaboration. The community wanted to accrue economic benefits from the advantage of geographical location. The government had passed a specific administrative policy to allow villagers to sell goods without import tax. Local residents were interested in being able to sustain control over their historical territory. All of these goals were clearly recognized at the outset of the joint effort. The legitimacy of each actor's goal was recognized. After over twenty years of collaboration, the community not only had official authority to resell goods without import tax but they also had government-approved rules and procedures for this.

Goals of Local Groups not Explicit
A number of SMEs owned by villagers recognize that they have little or no bargaining power while competing against big enterprises for the sale of goods at Chung Ying Street; but they are willing to participate if they believe it will support their effort to obtain tenure rights or add emphasis to the discussion about land use. Although some organizers recognize land tenure as a goal of local groups, it fails to get recognized in the document. The tenure agreements or plans are sometimes designed for marketing the shops in the rental market rather than play a role as retailers. To reach the additional goals of land tenure or recognition as partners in land use, discussions
would require specific information, activities and monitoring. Local actors would need information on what the government requires, communications would need to be opened between the groups and monitoring would need to follow this process. The motivation for local people to participate would be vastly increased if their goals were explicit and the processes of reaching them openly were discussed and incorporated into the plans and activities.

Confusing Targets for Goals: Information for Monitoring
When physical targets become the center of focus and overwhelm the goals, the information that is needed in order to understand whether one is reaching the goals may not be collected. This usually happens when the goals are social or are more difficult to measure than the physical targets.

Information for Successful Interactions, Outcomes and Evaluations
Chung Ying Street produces large quantities of information and delivers it to the right people at the right time, but even so, it is not used for making decisions and appropriate changes. Some actors are not sufficiently motivated to act on information; some have more to lose than to gain from doing so. When actors are able to hide information about their activities, results and performance, the temptation is to pursue their personal goals rather than the benefits of Chung Ying Street. But if the involved actors can get information about other participants' behaviour at a low cost and are allowed to use this information to hold each other accountable, actors may be more motivated to contribute to the goals of Chung Ying Street. Such accountability mechanisms not only require a transparent information flow between stakeholders, but also that project participants at all levels have the authority to participate in decision-making.

If activities purposely exclude some community members from participation and, consequently, the information flows from activities and between participants, this can provoke conflicts and mistrust, not only between outside facilitators and community member, but also between community members themselves. Without the inclusive and transparent management of information, it is difficult for the community
facilitators/government officials to create an environment that is conducive for cooperation.

Information Flows that Block Stakeholder Participation

A leading international conservation NGO’s manual for organizing "participatory community-based activities" to conserve local biodiversity instructs field personnel to select individuals who are the most positive about their project for the planning of activities, and to avoid those who disagree. Yet, excluding them from information flows and planning activities will only deepen their suspicion towards the activities and might even lead them to work against the efforts of the administrative committee of Chung Ying Street. However, even if information flows are managed in an intelligent and conscious way, motivation problems must also be addressed. If they are detected and understood early, maybe they can be mitigated. Institutional analysis can help practitioners recognize different goals and address the potential threats to successful community outcomes (economic benefits).

Table 3.1: The Institutional Analysis and Development Framework (IAD)

The author observed some facts about outcomes of activity in the One-Street-Two-Systems policy arena. The interview questions are:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcomes of activity</td>
<td>What is happening in the policy arena?</td>
</tr>
<tr>
<td></td>
<td>How to observe outcomes?</td>
</tr>
<tr>
<td></td>
<td>Which outcomes are satisfactory? Which are not?</td>
</tr>
<tr>
<td></td>
<td>Which outcomes are most important?</td>
</tr>
</tbody>
</table>

Table 3.2: Focusing on a particular class of outcomes, the author can identify relevant patterns of interaction. For key patterns of interaction in political-economic analyses one must typically include market structure, information flows, and the structure of political participation. The interview questions are:
Table 3.2: Patterns of interaction

<table>
<thead>
<tr>
<th>Variables</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patterns of interaction</td>
<td>When are these outcomes occurring?</td>
</tr>
<tr>
<td></td>
<td>Where are they occurring?</td>
</tr>
<tr>
<td></td>
<td>Who is involved?</td>
</tr>
<tr>
<td></td>
<td>How are policy outcomes occurring?</td>
</tr>
</tbody>
</table>

At those points, the backward-flowing diagnostic analysis leads us to specify the action arena, physical and material conditions, community attributes, and rules-in-use.

Those attributes of a community that affect a policy action situation include: the demographic features of the community, generally accepted norms about policy activities, the degree of common understanding potential participants share about activities in the policy area, and the extent to which potential participants’ values, beliefs, and preferences about policy-oriented strategies and outcomes are homogeneous. The author plans to ask these kinds of questions to determine the community attributes relevant to a policy action situation.

Table 3.3: Relevant questions to determine the community attributes relevant to a policy action situation

<table>
<thead>
<tr>
<th>Variables</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributes of a community</td>
<td>What knowledge and information do participants have about the relationships among policy oriented strategies, actions and outcomes?</td>
</tr>
<tr>
<td></td>
<td>What are participants’ values and preferences with respect to strategies for achieving outcomes, as well as outcomes themselves?</td>
</tr>
<tr>
<td></td>
<td>What are participants’ beliefs about the relationships among policy-oriented strategies, actions and outcomes?</td>
</tr>
<tr>
<td></td>
<td>What are participants’ beliefs about other participants’ strategy preferences and outcomes?</td>
</tr>
</tbody>
</table>
Table 3.4: For the resources characteristics, the author focused on the following characteristics of resources.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources characteristics</td>
<td>What are the characteristics of the resource?</td>
</tr>
<tr>
<td></td>
<td>Who is the recipient of the resource?</td>
</tr>
<tr>
<td></td>
<td>Who is the resource provider?</td>
</tr>
<tr>
<td></td>
<td>Who decided the allocation of the resource?</td>
</tr>
<tr>
<td></td>
<td>What kinds of resources are required?</td>
</tr>
</tbody>
</table>

Table 3.5: For the rules-in-use, the author focuses on seven types of rules.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rules-in-use</td>
<td>What is the Position?</td>
</tr>
<tr>
<td></td>
<td>What is the Boundary?</td>
</tr>
<tr>
<td></td>
<td>What is the Authority?</td>
</tr>
<tr>
<td></td>
<td>What is the Aggregation?</td>
</tr>
<tr>
<td></td>
<td>What is the Scope?</td>
</tr>
<tr>
<td></td>
<td>What is the Information?</td>
</tr>
<tr>
<td></td>
<td>What is the Payoff?</td>
</tr>
</tbody>
</table>

For the action situation, the author would integrate an IAD policy analysis by explaining behavior in terms of the following situational elements.
Table 3.6: Situational elements

<table>
<thead>
<tr>
<th>Variables</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action arena</td>
<td>What are the positions or roles that actors play in this situation?</td>
</tr>
<tr>
<td></td>
<td>Who are the participants?</td>
</tr>
<tr>
<td></td>
<td>What actions can participants take, and how are actions linked to outcomes?</td>
</tr>
<tr>
<td></td>
<td>What is the level of control that each participant has over action in this situation?</td>
</tr>
<tr>
<td></td>
<td>What outcomes are possible in this situation?</td>
</tr>
<tr>
<td></td>
<td>What information about the action situation is available to participants?</td>
</tr>
<tr>
<td></td>
<td>What costs and benefits do participants incur when they take action in this situation?</td>
</tr>
</tbody>
</table>

3.5 Sample Size

The author has chosen the in-depth semi-structured interview for this qualitative research methodology in this study. Different types of qualitative methods and techniques such as the mixed research methods in combination with interview and quantitative research methods may be further examined. For the sampling size, as there are numerous factors that can determine sample sizes in qualitative studies, many researchers shy away from suggesting what constitutes a sufficient sample size (in contrast to quantitative studies for example). However, some clearly find this frustrating. Guest, Bunce and Johnson (2006, p. 59) suggest that ‘although the idea of saturation is helpful at the conceptual level, it provides little practical guidance for estimating sample sizes for robust research prior to data collection’ During the literature search for the background to their study they found ‘only seven sources that provided guidelines for actual sample sizes’ (p. 61). In ethnography literature, Morse (1994) recommends 30-50 interviews; whereas Bernard (2000) notes that most studies are based on samples of between 30-60 interviews. Conversely, in grounded theory methodology, Creswell (1998) recommends 20-30 interviews, whereas Bertaux
(1981) suggests that 15 is the smallest acceptable sample. While some researchers give guidelines for qualitative samples, there is evidence that suggests other researchers do not strictly adhere to them. Based on the literature, the sample size for this research is between 20 and 25.

3.6 Validity, reliability and credibility
To establish the validity of the research, the draft interpretation was presented to the interviewees, to comment on and discuss the findings (Yin, 1994). The validity, reliability and credibility of this research depend on careful assessment, examination and interpretation of appropriate literature and analysis of data by a well-planned and selected research method. After all, it is designed and conducted in a manner to ensure that the subjects are accurately identified and described (Marshall & Rossman, 1995).

3.7 Data analysis
The process of analysis will be explained after completion of data collection from the interviews.

3.7.1 Recording, transcription and translation
Patton (1987) strongly recommends the use of voice recording during an interview. However, Yin (1994) stated that recording is not an absolute necessity but is rather a matter of preference. The basic information to be recorded should include: the time, venue of the interview, the participants’ background, the researcher’s expression, feelings, the physical setting of the interview place and other noticeable materials. The field notes were used as the interview data sheet (Appendix I) for this purpose. All participants were fully aware of the aim of the research so as to maintain the validity of the data (Yin, 1994).

In accordance with the recommendation of Patton (2002), the researcher sought consent from each participant to use a reliable electronic pen style recorder during the interview. This enabled the researcher to retain data in its original form (Silverman, 2000). The interviewees’ conversations, as voice recorded information, are the raw data of in-depth personal interviews (Patton, 2002). These data were then written into Chinese and translated into English. Whilst such an approach is never totally accurate
(Kriz, 2002), being competent in Cantonese, Putonghua and English, the researcher was capable of understanding whichever language the participant in the interview process.

3.7.2 Analysis of qualitative data
Once the translated English transcripts were ready, the next stage was the analysis and interpretation process (Patton, 1987). Minor editing was required to improve the readability (Glesne & Peshkins, 1992) but the meaning was not altered. The first step is to read all transcripts to gain an overall view (Goulding, 2005). As this is exploratory research, qualitative content analysis, (QCA) as according to Bryman (2004), was adopted. QCA starts with the concept development (Bryman, 2004) analyzing documents and coding to identify themes or categories. It provides the insights and knowledge of the observed phenomenon (Downe-Wamboldt, 1992, P. 314 cited in Hsieh and Shannon, 2005) and searches text for themes or patterns (Patton, 2002). The descriptive content enables the researcher to build up the interpretive scheme (Gioia & Pitre, 1990). Key words, similarities and differences from the transcript data in the interviews builds up this complex process of QCA (Di Gregorio, 2000).

Key words to develop ideas or themes using Microsoft Excel software were developed from the 25 interview transcripts. As this was a relatively small sample size, the researcher was able to decipher the nuances of meaning (Carson & Coviello, 1996), since he was involved in the whole process from beginning to completion of the research.

3.8 Ethical and safety issues
Maintaining ethics is a basic principle and an integral part of rigour in research practices (Davies & Dodd, 2002). Therefore, ethical considerations are essential when conducting interviews. It is vital to obtain consent before recording any conversations with people (Ostrower, 1998). Ethical clearance was sought from the Research Committee of the University of Newcastle before conducting the research project. The Chung Ying Street owners provided the researcher with a sponsorship letter for the
study. Letters asking for voluntary interview invitation were sent in advance. After the receipt of the consent forms from the shop operators, the interviewer proceeded with interviews and tape-recordings of the conversations. The respondents were informed of their rights in relation to the interviews, and had the freedom to withdraw from the event at any time.

No major safety issue was anticipated if the interviews were conducted in the shops. The University issued safety approval to comply with the travel policy and procedures in China.

### 3.9 Limitations

The purpose of this research by in-depth semi-structured interviews is to explore the complex institutions and actual business factors that influence the success of “One Street Two Systems” and how the entrepreneurs do retail business using a capitalist-like model under a socialist government. The size of the street is only 250m long, with only about 20-23 shop operators and is unique and therefore not suitable for generalisations.

### 3.10 Conclusion

This chapter examined two common types of research paradigms, namely quantitative and qualitative research methods. Different approaches to research were discussed and the approach for this research put forward. The interview protocol and pilot study were briefly explained. The sample size and research questions were explored. The IAD framework was carefully analysed. The validity, reliability and credibility of the research were fully considered. The analysis of data, ethical and safety factors were also taken into the research plan. The choice of suitable research method is very important so as to prove an appropriate and reasonable research approach to enable the researcher to draw relevant and reliable conclusions.
CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.0 Introduction
This chapter provides an analysis of primary data from the 25 interviews. The total number of ground floor shops along the two sides (Chinese side about 40%, Hong Kong side about 60%) of Chung Ying Street is about 120 (including those vacant). It was very difficult to persuade shop operators to engage in the personal interviews. It took much time to explain the importance of this first-time academic research which might contribute to greater awareness about the Chung Ying Street. The shop operators were very worried about the use of recorders in the interviews. In some cases the request for interview was turned down, because they objected to tape recording of the conversation during the interview as required in the research procedure. Shops operators from the so-called “international brand” and “listed companies” were very uncooperative. They simply refused to take part in the interview, pleading it was their company’s policy not to participate in any interviews. Given such circumstances, the access rate of about 20% for the shop operators on the whole street was quite reasonable.

4.1 Problems encountered in the pilot study
A new pen sized electronic tape recorder was used, with the recording function of a mobile phone used as a backup since a sudden telephone call could affect both the recording function and the interview atmosphere. It was therefore important to switch the mobile phone into the flight mode to stop any telephone call or a reminding sound. The battery of both the tape recorder and phone had to be checked properly before the interviews.

At a number of meetings, the interviewees were quite nervous, because of the presence of the two recording tools. A cup of good Chinese green tea was served with some warm welcome talk which helped put the interviewees at ease to some extent. The interviews started with a common topic of good Chinese tea and the sharing of information of mutual interest, as a good appetizer of sorts. The interviewee was again reassured of the confidentiality of the interview and the recorded information. A friendly tone and a slow mode ended the interviews smoothly.
4.2 Demographic and background information

This section presents a detailed description of the people working in Chung Ying Street. Their gender, nationality, occupation and living places are classified. The businesses operating in the Street, including the type of business, year of establishment and the control authority, were also analysed.

A detailed breakdown of the demographic data is presented in the graphs and tables below:

Figure 4-1: The gender of the interviewees

![Gender Distribution Graph]

Table 4.1: Gender distribution of the interviewees

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>6</td>
<td>24.0</td>
</tr>
<tr>
<td>Male</td>
<td>19</td>
<td>76.0</td>
</tr>
</tbody>
</table>

The above graph and table show that the street has more working men (76%) than women (24%). As this is a main border trade zone with many wholesale and retail businesses, physically strong workers are required to help handle heavy cargoes. This is why a male-dominated work force is important.
Figure 4-2: The nationality of the interviewees.

![Nationality Chart]

Table 4.2: Nationality of interviewees

<table>
<thead>
<tr>
<th>Nationality</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese</td>
<td>20.0</td>
</tr>
<tr>
<td>Chinese HK</td>
<td>80.0</td>
</tr>
</tbody>
</table>

The Chinese landlord leases shops only to Hong Kong based companies, as a policy. The landlord in Hong Kong leases to whosoever offers the highest rent. That is why the Street has more Hong Kong Chinese operators than Chinese local operators.

Figure 4-3: Occupation of the interviewees

![Occupation Chart]
The results show that most (64%) of the shops are operated by property owners, especially on the Hong Kong side. Senior staff members ranking as managers are employed to run the business.

Figure 4-4: The living places of the interviewees.

As the policy of the landlords on the Chinese side is to lease shops to Hong Kong businessmen, the majority of the shop operators (68%) live on the Hong Kong side of the border.
Figure 4-5: The type of business of the interviewees

![Type of Business](image)

Table 4.5: Type of business of the interviewees

<table>
<thead>
<tr>
<th>Type of business</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catering</td>
<td>2</td>
<td>8.0</td>
</tr>
<tr>
<td>Government</td>
<td>2</td>
<td>8.0</td>
</tr>
<tr>
<td>Retails only</td>
<td>2</td>
<td>8.0</td>
</tr>
<tr>
<td>Services</td>
<td>3</td>
<td>12.0</td>
</tr>
<tr>
<td>Wholesales &amp; Retails (both)</td>
<td>16</td>
<td>64.0</td>
</tr>
</tbody>
</table>

The graph shows that 64% of the businesses are wholesale and retail businesses. This is the main feature of border trade which sells daily necessities and consumer products. Other associated businesses are service types (12%) which support the logistics of the trading of consumer goods.
Figure 4-6: Year of establishment of the interviewees

<table>
<thead>
<tr>
<th>Year of establishment</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between 1 and 5 Years</td>
<td>9</td>
<td>36.0</td>
</tr>
<tr>
<td>Between 6 and 10 Years</td>
<td>4</td>
<td>16.0</td>
</tr>
<tr>
<td>Less than 1 Year</td>
<td>6</td>
<td>24.0</td>
</tr>
<tr>
<td>Over 10 Years</td>
<td>6</td>
<td>24.0</td>
</tr>
</tbody>
</table>

The figures indicate that many shops were newly established (60% less than 5 years), especially on the Chinese side. The Chinese local landlords only started to re-lease the shops to Hong Kong businessmen about 2 years after a major reform of the street shops. The years of establishment were relatively longer when shops were operated by the owners on the Hong Kong side.

Figure 4-7: Control authority for the interviewees
Table 4.7: Control authority of the interviewees

<table>
<thead>
<tr>
<th>Control authority</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>15</td>
<td>60.0</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>10</td>
<td>40.0</td>
</tr>
</tbody>
</table>

All customers enter Chung Ying Street (CYS) from the Chinese side. The customs officials and soldiers control the flow of the visitors to CYS. In reality, the Chinese authority has the most control (60%) over the administration of the CYS.

4.3 Data transcription and translation

After each individual interview, the handwritten notes were tidied up with the aid of the recorded material, to get properly written transcriptions. All the transcripts were then translated into English. Data collected from the interviews were then grouped and classified to insert into various tables. The answers were generated from the interview questions based on the IAD (Institutional Analysis and Development) model. The indicative themes were identified from the set questions, and the main issues in the answers were classified into different groups.

The researcher used Microsoft Excel spreadsheets to carry out the data analysis. Excel was selected because it can create various rows and columns to match classify and group data and, most importantly, it allows the researcher to create graphic presentations and connections between them. The software programme facilitates classification by different demographic groups to reveal different answers and also makes possible matrix analysis. This helped show the actors’ actions under different circumstances, such as various rules, and under different drivers as mentioned in the IAD model.

4.4 Analysis of the data and findings

This section presents an analysis of the themes and effects of the drivers identified in the analysis process. The themes are derived from the research questions, which in turn were derived from the conceptual framework discussed in Chapter 2. They are used to logically create a clear picture to demonstrate the conceptual framework.
4.4.1 Variables of the three principal spheres in the IAD

From the answers in the transcripts of the interviews, data were analysed and the findings of all the three principal spheres are presented as follows. The author has extracted the transcript data into the following tables to illustrate the perceptions of the respondents to each variable.

Table 4.8: Outcomes of activity

<table>
<thead>
<tr>
<th>Variables</th>
<th>Extracted Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcomes of activity</td>
<td>Chung Ying Street is a success. If the shops were to introduce a new brand, it would be relatively easy for it to reach the mainland people. It may be good location to act as the test area for new products and brands as there is no requirement for quarantine. People have confidence in imported and domestically produced goods from Hong Kong, especially products like baby supplies. Mainland Chinese consumers are especially confident of Hong Kong made or imported products. CYS traders experience the success of free trade, since the two systems work together. But now the Free Trade Area (FTA) is established and there is increased trade, and that may influence CYS. Perhaps it has been a success, and has been brilliant in the past when it was the only place to buy gold for the whole country. Whether it will continue to be successful in the future is difficult to know as there are too many variables.</td>
</tr>
</tbody>
</table>

Focusing on a particular class of outcomes, the author identified the relevant patterns of interactions from the data.
Table 4.9: Patterns of interaction

<table>
<thead>
<tr>
<th>Variables</th>
<th>Extracted Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patterns of interactions</td>
<td>Hong Kong side tenants recommended the landlords demolish the decorative frames. Most Hong Kong shop operators wish the government to delegate authority to the District Committee to effectively manage the street.</td>
</tr>
</tbody>
</table>

This backward-flowing diagnostic analysis leads us to specify the action arena, physical and material conditions, community attributes and rules-in-use.

The attributes of a community that affect a policy action situation include: the demographic features of the community, generally accepted norms about policy activities, the degree of common understanding that potential participants share about activities in the policy area and the extent to which potential participants’ values, beliefs and preferences about policy-oriented strategies and outcomes are homogeneous. The author asked the following kinds of questions to determine the community attributes relevant to a policy action situation.

Table 4.10: Attributes of a community

<table>
<thead>
<tr>
<th>Variables</th>
<th>Extracted Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributes of a community</td>
<td>There is a Street Authority that is newly established on Chinese side. It is obligated to: renovate buildings; regulate the trade practices; add in more leisure areas, shopping malls plus small businesses to make this historic street more suitable for selling goods with Hong Kong features and attract more tourist interest, while doing some border trade business; and activate the many historical relics, temples and so on along the street.</td>
</tr>
</tbody>
</table>
For the resources characteristics, the author focused upon the following characteristics of resources.

Table 4.11: Resources characteristics

<table>
<thead>
<tr>
<th>Resources characteristics</th>
<th>Extracted Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting Sino British (now HK) link by using the HK dollars exchange rate; by reducing tax for buying goods in CYS, trade and business is more successful; buyers from some other provinces come to get goods for their supply of Hong Kong products in the CYS shops and supply for shops on the Internet, such as Taobao (淘寶). There are also parallel-traders (who are permitted to buy goods every two weeks). Residents on the Shatoujiao Chinese side can get a yellow permit to purchase goods every half a month. Normally they are allowed to buy and bring out small quantities from CYS. The yellow permit allows buying RMB500, and RMB3,000 is for blue permit visitors.</td>
<td></td>
</tr>
<tr>
<td>Shatoujiao Trading Development Co. Ltd. is the largest landlord and provides assistance when possible if businesses of tenants benefit.</td>
<td></td>
</tr>
<tr>
<td>The district government on the Chinese side has a strong aspiration to enliven the Street. The district government has invested in the building of an office complex outside the CYS. All relevant administrative units of customs and the army will integrate under one roof to facilitate the visitors’ permits issue.</td>
<td></td>
</tr>
<tr>
<td>Landlords on the Chinese side have introduced new large tenants, monthly meetings, the proposed placement of trash bins. Both communication with customs and controlled troops were reported to tenants.</td>
<td></td>
</tr>
<tr>
<td>Each individual property owner on the Hong Kong side is acting on his or her own. There is no unity, no acting together. Non-owners of the buildings may not have a plan. The Chinese side has a proper plan to develop the site. The Chinese owner provides cleaning, tax incentives, a rental income agreement, and maintenance and security business people are all committed.</td>
<td></td>
</tr>
</tbody>
</table>
For the rules-in-use, the author focuses on seven types of rules.

Table 4.12: Rules-in-use

<table>
<thead>
<tr>
<th>Variables</th>
<th>Extracted Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rules-in-use</td>
<td>Chung Ying Street is a tax-free zone selling tax-free goods. Complex management control exists in the place. Most shops operators are law-abiding, only a few indulge in offenses like smuggling and selling fake products. There are parallel traders there, because the price difference is large inside or outside the CYS in mainland.</td>
</tr>
</tbody>
</table>

For the action situation, the author integrated an IAD policy analysis by explaining behaviours in terms of the following situational elements:

Table 4.13: Action arena

<table>
<thead>
<tr>
<th>Variables</th>
<th>Extracted Content</th>
</tr>
</thead>
</table>
| Action arena    | CYS is a narrow street, and overcrowding is a characteristic feature. The Chinese side has sales tax and the administration is more complex than the Hong Kong side, which is relatively simple. Also it has to pay monthly tax, labour tax, labour insurance, security, provident fund and accommodation requirements, etc., all of which add to the costs.  
Transportation network, increasing the spot points; more parking space, extend the switching time; long visa reform, or a multiple entry and exit visa; increase the limit for duty-free goods purchases to RMB 5,000 (now only 3,000); increase the customs free amount in line with other ports such as Lo Wu.  
Free excise for entry, ease the permits issue, plus the type of visa, the cost increases according to the number of entries, convenience more important than cost. |
4.4.2 Further findings from the answers

This section presents an analysis of the variables as drivers within the IAD and themes identified in the analysis process. The variables suggested the themes derived from the research questions, which in turn were derived from the conceptual framework discussed in Chapter 2. The different variables are used to logically create cluster linkages and provide force for the driver to show the success of CYS under the IAD conceptual framework.

The primary data collected from the personal interviews were transcribed into Chinese using handwritten notes and recorded tape. The transcripts then were all translated into English and analysed. Various tables were prepared using the Excel program. The contents of the tables were classified and matched to find the common elements and factors. The findings, with a brief interpretation of each answer from the 10 questions, are listed in the following tables.
**Question 1**

Table 4.14: Findings from answers to Question 1

<table>
<thead>
<tr>
<th>Q.1 How do the shop operators know the place? Who introduced the operational rules to their business?</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Tours consultation with local business people.</td>
</tr>
<tr>
<td>b. Learn from neighbouring shopkeepers, consult other shop owners.</td>
</tr>
</tbody>
</table>

| Shop operators in Hong Kong already have stores, and customers who have requested to have a branch in the street. Other ways to learn doing business in CYS are by field study and by learning from neighbouring shops and consulting major landlords’ business practices, and thereby slowly getting to figure out the details. |

On the HK side, some are family businesses and they also know the HK business rules.

One tenant was born in this zone, other local residents feel that when they were 8 to 10 years old the area was freer. A long time ago, stores were rented or bought mostly by those in nearby villages, and CYS was a free access area; it was only in the 1950s that the British made this a restricted area. Shops on HK side follow HK trade practices and rules.

Years ago, one tenant was constantly interested in travelling to this place. Principal tenant and landlord Co. leased the shops and had to operate only within the business scope and follow the rules.

Friends introduced this special zone: The landlord introduced the business rules, and stipulated that they must sell genuine goods. On the Chinese side, landlords leased to them only after investigating the business background before they rented.

One interviewee grew up here and works here. Another interviewee works with the landlord, which is a government unit operating in accordance with the company rules and local laws.

For the job requirements for working in the street: use business rules according to market conditions, particularly the controlled area which has special rules. In and out customers are controlled. There are two kinds of tax: - small, - comprehensive tax is 5% of turnover; the self-employed - by a fixed levy. Goods shipped to the street via Hong Kong are customs-free and duty free, so there are no imports tariffs,
prices are relatively cheaper (advantage).

Other business boss introduced the landlord. Rules are to follow the mode of operation of the other owners.

Some HK side shop operators are family businesses (60 years). Follow the social evolution to provide service, retail / facade sales.

Chinese shop tenants chose the shops as their friends referred the landlord; have known this place for a long time. There are guidelines for (the Chinese side) compliance with the place where the shop is located.

Friends introduced the tenants who already have business experience in the country, just follow the country rules.

Some interviewees are original local residents, and were born here. There are rules to follow; cheap rent and daily necessities are the main advantages. The street has prohibited items such as cell phones and baby formula milk powder.

Friend referred this shop. Nobody introduced professional rules, a special profession, and work according to Hong Kong medical practitioners’ practice code.

Some interviewees are local residents born here. To learn while working with this trade, flexible, cater to what the market demands.

Shops tenants work their own way and according to the Hong Kong model and practice.

Friends (living in Futian) referred the shop. Principal tenant illustrates specific business rules

Shop was referred by the boss. No person introduced the practicing rules: almost same as Hong Kong's retail

Business runs by British law before 1st July 1997, now it is the law of the SAR.

A shop tenant adopts learning by working, father taught.

Friends introduced the lease. Personally can follow up. Now it is convenient. The Industry & Trade Bureau can help. Self-employed licence can be obtained quickly and can apply for it immediately.

Lease contract is confined to business scope (tobacco, alcohol, drugs and contraband, monopoly products are not allowed to be sold).

Old boss introduced the job. No special rules, only about the border crossing.

The landlord lease contract requirements are a practice guide. The Trade and
Industry Bureau also have certain requirements, such as medical, fire protection, training, and so on. The shop keepers had to pass all the required training and obtain certificates before they can work in the shops.

Table 4.15: Implication of the findings of Question 1

<table>
<thead>
<tr>
<th>Category</th>
<th>Application of rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic</td>
<td>Nationality</td>
</tr>
<tr>
<td></td>
<td>Chinese</td>
</tr>
<tr>
<td></td>
<td>Chinese HK</td>
</tr>
<tr>
<td></td>
<td>Community leader</td>
</tr>
<tr>
<td></td>
<td>Manager</td>
</tr>
<tr>
<td></td>
<td>Official</td>
</tr>
<tr>
<td></td>
<td>Owner</td>
</tr>
<tr>
<td></td>
<td>Professional worker</td>
</tr>
<tr>
<td></td>
<td>Occupation</td>
</tr>
<tr>
<td></td>
<td>Business Type</td>
</tr>
<tr>
<td>Themes</td>
<td>N%</td>
</tr>
<tr>
<td>Hong Kong laws</td>
<td>0.0%</td>
</tr>
<tr>
<td>Local laws</td>
<td>20.0%</td>
</tr>
<tr>
<td>Business rules</td>
<td>60.0%</td>
</tr>
<tr>
<td>China laws</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Interpretation of the findings:
The answers to this question are reflected in the theme for the variable of rules-in-use. Most actors who are shop operators with Chinese nationality (60%) understand that they were practising the business rules (commercial application) in the street. 20% felt that they were following local rules applied only in Chung Ying Street. 5% (Hong Kong nationality) claimed that they applied either the Hong Kong or Chinese rules. Interviewees (100%) from the government (officials) and those with professional backgrounds believed the street follows business rules. Many managers (33.3%) also accept that they use business rules for the running of the shops in the street. The majority of all types (45.8%) of businesses also reported that they used commercial practices and business rules for the running of their businesses in Chung Ying Street. 20% of the local Chinese supported by 16% managers felt that they were using their own local laws in this special zone. A small number (5%) thought that each side follows its own rules and regulations, such as the taxation law. The findings reflect that the business owners and managers regardless of nationality, comply with minimum restrictions and work in a practical approach to gain their best interests.
Question 2

Table 4.16: Findings from answers to Question 2

<table>
<thead>
<tr>
<th>Q.2 What major problems did the participants perceive when deciding to do business in the communist controlled street?</th>
</tr>
</thead>
<tbody>
<tr>
<td>No definite objective, blind spots, the flow of tourists and the parallel goods traders.</td>
</tr>
<tr>
<td>The operation was not familiar in the early stages. The business scope is defined in the licence. Customer flow is restricted in the control zone, the business will be affected, and the district needs special permit, only RMB 3,000 sales quotas each day; thus, customers cannot buy expensive goods.</td>
</tr>
<tr>
<td>Many questions: 1) customer flow is restricted, fewer people on weekdays; 2) only about three thousand visitors a day, which affects the daily business turnover. On Saturdays and Sundays there is more pedestrian flow, the entry is monitored by the Authority; restricted exit goods value; 3) Employees must have a special pass; 4) Shops can receive HK dollars</td>
</tr>
<tr>
<td>The communist regime has more restrictions. It controls the goods access sources, quantity of goods purchased. There is entry control and customers mainly come from the Chinese side.</td>
</tr>
<tr>
<td>During the British confrontation with communist China, there were different ideologies, but the area has a mutual character, later on it has not separated by boundary and so made no distinction between the British or Communist China along the CYS. Then, it was the only place to buy Western goods, e.g. gold and medicine, in the communist zone. Each has its own rules, to manage their own businesses. After the return of sovereignty to China, HK Customs has tightened its enforcement and does not allow some products which are considered to be contraband. Shops operators have to look for different departments to solve their problems.</td>
</tr>
<tr>
<td>No major problems, just to compile the records when fire protection, commerce and industry officers come and inspect records to see if there are expired items. They do not come after the fulfilment of the requirements;</td>
</tr>
<tr>
<td>I found that the street is a special zone, has more freedom, unlike many mainland business regulations, and is close to Hong Kong business model.</td>
</tr>
<tr>
<td>Doing business in the street does not have many privileges. Only goods/ wine bought from the CYS have limits on value, customs checked when customers exit</td>
</tr>
</tbody>
</table>

70
the customs port. Personal consumption cannot exceed the range. Perhaps there is a problem for parallel traders bringing goods through the CYS customs port.

Now the communist regime also uses a market economy, normal competition, trade and political system and has no major impact. It provides a more stable society, no strikes and other issues, more advantages, there are reasonable rules, do not abuse the freedom. To succeed in business, social stability is the foundation. Foreign businessmen may misunderstand this doctrine. The major problem is the risk about policy; however it still has to act according to law, the rule of law, relatively equal. The market risk is not affected by the political system.

Movement in and out of the street requires special permits; goods all with HK$ price are the main features of CYS. Staff and their customers find it difficult to get permits.

The trade in selling newspapers is no problem; more sensitive fin selling political books. Operation has no effect. No major problems.

Some Hong Kong shop operators on the Chinese side are used to doing business in Hong Kong and do not get used to the Chinese business practice; will try to comply with the Chinese rules. Expect to face different problems like the licence requirements, etc.

Comparatively, there are many complex business licenses, fire protection and health issues. Some know these from their previous work experience. They simply just have to follow and adapt to the local system and practice.

Through customs to the border of China, the Hong Kong Customs basically does not care, except milk powder, must have shop on the Hong Kong side.

The Hong Kong side has the mainland “black workers” (illegal) and illegal tenants. Police force fails to prevent such offences. They are mainly selling fake brands. No particular problem, except the control of visitors, to work in CYS like anywhere else in Hong Kong.

The boundary between the two countries is blurred: in the 1960s no restricted permits were available, people on two sides knew each other, but now need to apply for permits. Only people who proved to be the property owners can apply for the permits. Tenants and owners can get permits too, normally valid for five years. No difficulty when properly doing business and complying with the law. Entry permit is
also very convenient: can be done immediately on the Chinese side. Tourists who use a blue card are the major customers. Tourists generally face no problem in taking out their own purchased goods. Customs officers most likely recognize the parallel traders.

Not a big problem, each has to follow its own way properly. From the commercial perspective, political ideology does not influence business. The biggest problem is the amount of customer flow, mainly Chinese tourists; this problem cannot be solved by ordinary people.

Restrictions on the number of visitors entering the Street.

A few major problems, passengers are reluctant to shop on the Hong Kong side due to cultural differences and different ways of handling things. Communism is not a problem. Follow Hong Kong rules on the Hong Kong side. The political and institutional differences have no effects.

China has opened up its economy, business is good and communism has no effect on business. There are problems relating to fake goods. Law enforcement officers do not act if there is no complaint. They never take preventative measures. The Hong Kong side, before Hong Kong was returned to China, never tightened control of the residents. Only China supports more visitors. Banks have introduced the Octopus card (a stored value card used on Hong Kong public transport and in many retail outlets etc.), but the card is too costly, and it is not worth its price.

Policy issues and tourists’ permits problems, sometimes tight and sometimes loose; mainly buying daily necessities. In the past, more civil servants, now more tourist flow. After China opened up, more visitor flow.

Know basic way of doing business, there are no major political influences. Goods sourcing is a problem, but beyond one’s control. Now the number of visitors has decreased substantially due to easier visas for Hong Kong. The policy for Chinese people wanting to go overseas has been relaxed.

Passengers have limited entry. In Hong Kong, selling to Chinese citizens is regarded as border trade. Chinese customs only allows RMB3,000 for each tourist/visitor. Transport of inland goods to the Chinese side is under control. Commodity from Hong Kong side, when transported to street and then shipped into mainland China, is regarded as border trading.
No significant difference with the mainland requirements, inside or outside the port is the same.

Different political ideologies do not affect the business of a small snack shop. The different tax and employee requirements are underlying factors. The entry permits for customers and staff are important.

Table 4.17: Implication of the findings from answers to Question 2

<table>
<thead>
<tr>
<th>Category</th>
<th>Nationality</th>
<th>Occupation</th>
<th>Year of establishment</th>
<th>Business Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chinese</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
</tr>
<tr>
<td>Chinese HK</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community leader</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
</tr>
<tr>
<td>UHR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
</tr>
<tr>
<td>Official</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
</tr>
<tr>
<td>Owner</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
</tr>
<tr>
<td>Professional</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
</tr>
<tr>
<td>worker</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between 1 and 5 Years</td>
<td></td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
</tr>
<tr>
<td>Between 6 and 10 Years</td>
<td></td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
</tr>
<tr>
<td>Less than 1 Year</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
</tr>
<tr>
<td>Over 10 Years</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
</tr>
<tr>
<td>Catering</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
</tr>
<tr>
<td>Government</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
</tr>
<tr>
<td>Retail</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
</tr>
<tr>
<td>Services</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
</tr>
<tr>
<td>Wholesales &amp; Retail</td>
<td></td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
</tr>
</tbody>
</table>

No major difficulty: 0.0% 100.0% 0.0% 66.7% 0.0% 33.3% 0.0% 66.7% 0.0% 33.3% 0.0% 33.3% 0.0% 0.0% 66.7%

Staff entry restrictions: 50.0% 50.0% 0.0% 50.0% 0.0% 50.0% 0.0% 50.0% 50.0% 0.0% 0.0% 0.0% 0.0% 100.0%

Customer's entry restrictions: 14.3% 85.7% 0.0% 42.9% 0.0% 42.9% 14.3% 42.9% 28.6% 28.6% 0.0% 14.3% 0.0% 14.3% 28.6% 42.9%

Use your own government laws: 12.5% 87.5% 12.5% 12.5% 12.5% 62.5% 0.0% 25.0% 12.5% 12.5% 0.0% 25.0% 0.0% 0.0% 75.0%

Customs quota unclear: 16.7% 83.3% 0.0% 16.7% 0.0% 16.7% 16.7% 16.7% 16.7% 16.7% 0.0% 0.0% 16.7% 33.3% 50.0%

Interpretation of the findings:
The variable of the action arena reflects the attitude of the action the actors may consider in the daily running of the business in this defined special zone (the action arena being Chung Ying Street, CYS). The answers from the interviews show the problems encountered by the actors who are mainly shop operators working in CYS. Persons with Hong Kong nationality, mainly managers in the wholesale and retail trade with a history of less than 5 years (66.7%), do not seem to have encountered any major difficulties in handling the business in the street. All wholesale and retail businesses (100%) established 1 to 5 years ago felt that staff entry restrictions were a problem. The majority of Hong Kong nationals (85%), both managers and owners (42.5%), mainly in the wholesale and retail business and service type of business agreed that the customers’ entry restriction was a big problem. The majority (over 50%) of the business operators felt the customs quota was unclear, and they believed they should use their own government laws to resolve the problems. This shows the
business owners on both sides consider they have no influence over the authorities in relation to relaxing the entry and exit requirements of people and goods.

**Question 3**

Table 4.18: Findings from answers to Question 3

<table>
<thead>
<tr>
<th>Q.3 How did the entrepreneurs prepare to settle the problems in (Q2) doing business in the communist controlled street? How difficult is it to resolve the problems?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government advice, local rules [and local shop operators gathering are ways to work This is hard to understand.] in the CYS. Cultural differences, different objectives require joint negotiation, compromise; giving up quite difficult.</td>
</tr>
<tr>
<td>Shop tenants can convey the problems to the landlords, property owners. Government policy cannot be resolved; for principal tenants it is not easy to discuss with the authorities who try to be flexible, need negotiation.</td>
</tr>
<tr>
<td>Tenants conveyed the above problems to the principal landlords. In turn the landlords conveyed the above problems to the government, requesting to relax the entry permits, increase the amount of exit quota value, especially gold and silver trading has become a landmark problem.</td>
</tr>
<tr>
<td>Restrictions nearly impossible to solve, can only be flexible with restrictions and adapt according to the business model; the national policy cannot be solved by merchants, very difficult.</td>
</tr>
<tr>
<td>Most of the problems are economic, there are no fixed rules. Each side has to solve its problems by using its own regulations: on the HK side, the rural committee, and police and customs department; on the China side, the street office, local government or police and customs. It is quite difficult to resolve the policy problems.</td>
</tr>
<tr>
<td>If there is a fire problem, the officer will tell how to solve. The entry crowd control is tight and reduces customer flow, making the business difficult. Fire requirements difficulty is not high, it is easy to follow.</td>
</tr>
<tr>
<td>If there is a problem they find the landlord to negotiate; about a month after the discussion they would reply, the difficulty is quite high. They are always delaying,</td>
</tr>
</tbody>
</table>
ask to follow-up and postpone resolution. The actual problem cannot be resolved, they just pass the buck to other departments; some of the problems have been delayed for more than a year.

Hoping to increase the spending limit, which is RMB3,000 in this port, Lo Wu is now RMB5,000. This is a border trade zone and should have a higher limit. This is the biggest problem; tenants hope they will increase the amount of the customs free quota value and the government leaders consider this point. The district government also hopes it can make its own legislation, subject to the central authority’s consent. This phenomenon is changing; people have heard it is already in progress.

Complex management control in place. Most shop operators are law-abiding, only a small number are smuggling offenders. There are parallel traders there, because the price difference inside and outside the CYS in the mainland is large. Much time is required to solve the governance of this parallel trading behaviour, since it has already existed for a long time. This is not the only port to have such traders; each port has such parallel traders and this is not the problem of the street alone. It is not easy to resolve this, fundamentally.

Convey the above problems to the landlord; it is very difficult.

National government undertakes only security investigation. It does not interfere in private enterprise. No difficulty to handle the investigation for the selling of political books.

Shop operations just follow the norms, as learned from the nearby shops. Shop tenants expect not too much difficulty, should be able to adapt.

First summarize and consolidate the problems according to the instructions to find the right person and then it can be solved [social idea]. Government officers have also studied abroad and are now more transparent and helpful. There is a consultant referred by in-house officer and, after paying the consultancy fee, problems can be solved. Depending on the type of problems, they can be solved by paying the fee for the right consultant.

No solution to the problem, it is a government policy. Normal travellers are generally allowed to get through the Chinese customs. Not certain what are the criteria? It is difficult to follow.

Selling of fake goods is a problem that is difficult to solve, the tenants change
quickly, the police and customs are ineffective. Nothing to do with medical practitioners’ practice. Difficult to solve the visitors’ entry problem as this is high level policy.

The main issue is the entry permits. Sometimes loose, sometimes tight. Shops on the Hong Kong side cannot make any complaints or have any influence. The policy is set by the customs and army joint decisions. Parties on the HK side cannot make any complaints to resolve the problem.

Can organize more tours, Hong Kong may increase more tourists. Hong Kong side could use identity cards like the Chinese side. Guangdong Province should offer more groups, and less groups from other provinces. The tour is usually guided to several specified stores.

Conveyed to the principal tenant that the relevant departments should simplify the permits facilitation.

Do not think there are problems, mainly mutual respect; each with its own cultural differences, no need to solve the differences. It is not difficult to handle.

Law enforcement department takes action only if there is a complaint made. They never take preventative measures, simply ignore the issue. No way to rectify the authority’s attitude.

Policy issues cannot be resolved, one can only adjust the business to be flexible to adapt. Necessities were in great demand in 1970s; during 80s this was the only place to have outlets to sell gold in China. Now gold trading is very formal and one can buy gold in Chinese cities. Political doctrine does not affect the business, policy is more important. It is difficult to procure a change of policy.

Now there is economic prosperity, customers have more choices, ready to go to Hong Kong. Need to be flexible in finding solutions. Difficult to find the solutions.

Crowd control is a very important problem. Policy decided by the central government is difficult to change.

The sources of food to be transported through the crossings are to be checked, and any declarations made (i.e. quarantine report for vegetables and meat from the Chinese side). Seafood and sauces are imported from Hong Kong. Simply take advantage of the two sides. Customs allow the imported stuff, procedure is relatively smooth.
Requested landlord to discuss with local government, and it is quite difficult.

Table 4.19: Implication of the findings from answers to Question 3

<table>
<thead>
<tr>
<th>Category</th>
<th>Demographic</th>
<th>Issues on solving the problem</th>
<th>Business Type</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Chinese</td>
<td>Nationality</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chinese HK</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Community</td>
<td>Occupation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>leader HHYR</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Manager</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Official</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Owner</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Professional worker</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Between 1 and 5 Years</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Between 6 and 10 Years</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Less than 1 Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Over 10 Years</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Year of establishment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Business Type</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Themes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Discuss with the landlord</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Try to adopt the way it is</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>discuss with the principal tenant</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Feel no problem</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No way out</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Interpretation of the findings:
These answers are linked with the previous questions and show how the actors try to solve their problems in the CYS. Three quarters of those with Hong Kong nationality, wholesale and retail owners and the newcomers (1-5 years establishment) and owners, tend to discuss problems with their landlords. The majority of Hong Kong owners (66.7%) in the wholesale and retail trade who are newly (1-5 years) or long (over 10 years) established, adapt to the actual conditions or rules of the game. They are more flexible when settling business problems as they may feel there is no other way to resolve the problems. (90% of the Hong Kong businessmen are in wholesale trade and 50% in retail trade). As they have become used to the system, retail business operators, newly set up or long established, felt they have no problems (100%). Other shop sub-tenants, Chinese Hong Kong in wholesale and retail trade (66.7%), can only bring the problems to the principal tenant to discuss the solution. This indicates that the long established business owners get use to the traditional system, while the newcomers have to follow or adopt their practice.
### Question 4

Table 4.20: Findings from answers to Question 4

<table>
<thead>
<tr>
<th>Q.4 What support has the local government provided to their businesses? Are there any extra costs involved in paying the agents to help get governments in China or Hong Kong to solve the problems?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners have to organize their own activities, Chinese local governments have held large functions, property owners have not held big activities; special tax scheme is a big help. Big principal tenant organizes activities; sub-tenants have to pay promotion fees such as printing cost. Hong Kong individual owners cannot afford to hold functions.</td>
</tr>
<tr>
<td>Government offers exemptions from import tax, local government supports tax at 5%, there are good tourist rules; the weather also affects the flow of customers, management fees are high, there are plans to develop the special zone....</td>
</tr>
<tr>
<td>Local government has incentives, received only a 7.5% tax as administrative fee. The CYS areas have clean streets during festivals and arranged activities. Customers can only have RMB3,000 spending limit. Hope to relax the entry limit, increasing the limit on customs free value, all of these affect their business. A large restaurant is very cooperative in transporting customers to the street, but customers are subject to policy restrictions that do not allow them to shop and purchase goods. Shop operators are willing to sponsor such measures and pay if the government could do better.</td>
</tr>
<tr>
<td>The Hong Kong side is free trade, which the government does not support; perhaps if it relaxes the entry restriction more people will be able to visit. It should not rely only on the Chinese side. Recently, the HK government has provided some support to help retail traders, by subsidizing retail upgrade on the IT equipment for training and IT knowledge and improving electronic equipment; old shops have to increase training; a bit of support is better than none. Only the power supply is cheaper and more stable on the Hong Kong side.</td>
</tr>
<tr>
<td>Hong Kong government did not give any support. The majority of latent illegal buildings are complex issues. HK is a free economy, while the Chinese government gives much The support by the renovation of buildings, etc. This did build up the street, improving the street. The Hong Kong side is more sensitive humane. People's livelihood is self-determined. Many years ago, the District Council...</td>
</tr>
</tbody>
</table>
initiated steps for this street to build a shopping mall. District Council also suggested improving the street as an icon for buying genuine goods. Hope both the Chinese government and the Hong Kong government together can cooperate, and consolidate the CYS for selling all genuine goods. No extra costs involved to get help in China or to get the Hong Kong government to solve the problem.

| Landlord company organizes activities to request the tenants to participate, but if tenants join then there will be another levy. National Day, Mid-Autumn Festival activities are charged a few thousand dollars, etc. for the selling of genuine goods; propaganda posters are provided free. |
| No support or subsidy given. Do not require additional cost or anything extra to resolve the problem. |

| According to tenants’ views, the landlord does discuss and coordinate with customs and local government. Tenants hope to improve the street management. There is a Yantian Tourism Festival (Yantian is a district of Shenzhen), CYS is a tourist attraction. More tourists come, including people from other provinces who are attracted. For the National Day and other activities, the government has funded advertising and reception, to enliven the street; deputy mayor also attended. The Hong Kong principal tenant Ming Feng and the Genuine Goods Association also held activities. The sub-tenants do not have subsidies; they have to pay their own advertising costs (at the Chinese border). The Hong Kong Government has not held these activities at all. |
| Tourist attractions make the tourists come, and leave with happiness too. The local government has also given support. Within two years’ time, all stores are leased. Great effect on policies, at the broad level, involving border, customs and inspection units, all focusing on how to improve the street. The overall outlook is good. The central government is very serious. Festivals and events such as the mid-autumn festival and the National Day are held. The local government invests in the events, shops do not have to pay and the merchant pays the spontaneous incidental expenses. |
| The local government does not give support to enliven the street. The use of money could solve part of the problem. |
| During the SARS epidemic the Hong Kong government waived the rates, but after |
that the government did not give any support. For government property, the owners charge the rental value according to the economy and market conditions. The Chinese government cannot affect the service/trade of this shop, but if there is a decrease in tourist numbers that will affect the business. Both sides will not affect the trading flow between the boundaries.

So far there is no support for the new store policy. Have full confidence in the government, they are now more transparent, willing to help and have good service. No cost involved at this moment.

Relatively simple trading business and the government does not support it. There is the Street Authority; people have heard it holds functions for shopping festivals. No extra costs involved.

There is neither support from the government on the Hong Kong side nor any retail allowances. When the police patrol the street, Chinese tourists may not be able to shop in the Hong Kong side. There are also Chinese who secretly indulge in illegal work. If customers are entertained, the case is handled by law enforcement on both sides. No costs are involved.

The Hong Kong government does not give any support. It tends not to look after only one street; it already has a lot of problems. Not heard about any support for retail for the IT equipment subsidy. There are activities to promote by the Chinese local government and major landlords.

The Hong Kong government does not give any support, no promotion and treats it in a very low key way. The Chinese government emphasizes the two systems for the street, creating a model street. No cost is involved.

The Hong Kong government does not give any support. Never heard or know of any recent subsidy or upgrade allowance for electronics, computer support. No costs involved.

There are tours; the government has publicized the tourist attractions. Introduction of brands such as McDonalds and other listed groups to be shop operators.

There is no support, but in fact a number of obstacles. The two sides do not support parallel imports. Do not know the retail electronic equipment upgrade allowance. Not clear about the support from the government of the Chinese side. The major landlord may organise promotional activities.
The Hong Kong side gives no support at all, and only tries to tighten control. Chinese side is more open and gives support to get more tourists. Banks have introduced the Octopus card, but the cost is high, and it is not worth the price. No cost is involved.

The Hong Kong government does not give any support. On the Chinese side CYS has hosted the national flags on National Day; the landlord organizes shopping festivals, etc. Do not know how much funding has been made available for the recent improvement on retail electronic equipment upgrade allowance.

For a self-employed shop tenant, the government does not give any support. The shop tenant has to resolve problems his own way. It is more important to provide more administrative convenience to allow more tourists into CYS. The Hong Kong side recently gained an electronic equipment upgrade allowance for the retail trade which will pay 50% of the cost of approved items.

China gives full support. In 2004, it carried out renovations twice (during which time the street was not open for business). In 2008, a new tender was issued for renovated shops. Cheap rent, some subsidies, provides public space, installs special cable and consolidates building structure. In Hong Kong there is no support at all.

Customs and army support customers’ crossing the port. It is allowed to have a registered light bus to transport customers for a big restaurant. The cost is to buy the light bus.

The Hong Kong government does not give any support. On the Chinese side, there is a street office responsible for cleaning the streets. The landlord and principal tenant organize festivals and activities such as the National Day and mid-autumn events. The local government is trying very hard to build up the street as a tourist attraction.
Table 4.21: Implication of the findings from answers to Question 4

<table>
<thead>
<tr>
<th>Category</th>
<th>Demographic</th>
<th>Occupation</th>
<th>Year of establishment</th>
<th>Business Type</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nationality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demographic</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chinese</td>
<td>Chinese HK</td>
<td>HKYR</td>
<td>Owner</td>
</tr>
<tr>
<td></td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
<td>N%</td>
</tr>
<tr>
<td>Themes</td>
<td>China</td>
<td>60.0%</td>
<td>60.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>Principal</td>
<td>60.0%</td>
<td>0.0%</td>
<td>16.7%</td>
</tr>
<tr>
<td></td>
<td>tenant</td>
<td>20.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td></td>
<td>support</td>
<td>40.0%</td>
<td>15.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td></td>
<td>HK government</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Interpretation of the findings:

The other important variable is the resource characteristics in the IAD model. It reflects the fact that the essential resource is government support. The theme was to show the degree of Chinese government support. The Chinese government officials, Hong Kong community leaders, professional persons and shop operators (set up 6-10 years) (100%) all believed that both governments should join efforts for law enforcement exercises only. All business operators, whether Chinese or Hong Kong Chinese, know there is no support from the Hong Kong government. The Hong Kong government does not give any support to the shop operators or even sponsor festival events for the shops. 60% of the Chinese mutually believed that the local government on the Chinese side does take the lead to sponsor festival activities. Besides, the principal tenant does provide some support (Chinese 20%; Hong Kong Chinese 20%) in promoting the business function in CYS. It seems that the Hong Kong government does not support business in CYS. It is only the Chinese local government that takes the lead and control in this special street.
Question 5
Table 4.22: Findings from answers to Question 5

<table>
<thead>
<tr>
<th>Q.5 What are the original business development plans and promises provided by the street owners? How well have the owner’s commitments been fulfilled?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Chinese side has proper plans to develop the site, the Chinese owner provides cleaning, tax incentive, rental agreement. Maintenance, security, taxation, people flows are all committed.</td>
</tr>
<tr>
<td>On the Chinese side, shopping facilities such as fire protection, cleaning, advertising billboards to attract more people, are all very well organized. Power supply, tourist flow, better air-conditioning all have to be paid for. These promises were fulfilled and also coordinated, but sometimes progress is slow. Investment issues and development strategy, including complicated issues proceed very slowly, business owners have to invest on their own for improvement.</td>
</tr>
<tr>
<td>Street landlords adopt a general business strategy, looking for big brands and shops from listed companies but only for superficial window dressing; need to create real policy in order to have more free travellers; the entry permit system is outdated, too restrictive, regressive (travellers limit, sell quota, time limit), backwards, the authority has not given any promises; it always experiences bureaucratic delays.</td>
</tr>
<tr>
<td>Each individual property owner on the Hong Kong side is doing things on his own, there is no unity, they do not act together; non-owner of the buildings may not have a plan. It is quite different with two major owners on the Chinese side who work together. The Hong Kong side is not organized. Each shop has its own pattern of trade. The domestic goods sold have quality assurance as goods are all genuine. Hong Kong Customs frequently combat fakes and give positive assurance to customers. There are plenty of goods supplies, and prices are reasonable in CYS</td>
</tr>
<tr>
<td>Owners on the HK side have no particular plans, and the tenants self-determine; there is no commitment at all. Ideally they should set up a committee, including appointing tenants and landlords as committee members. But no such committee has been set up for decades, most owners are sceptical. They try to use the rural committee to discuss issues with the bureaucratic government.</td>
</tr>
<tr>
<td>For new large tenants, the landlord has introduced monthly meetings, the proposed placement of trash bins, communication with customs and controlled troops, as</td>
</tr>
</tbody>
</table>

83
reported to tenants. People have heard that a covered pavement construction is in progress. Most of the flow and entry permit arrangements were described in the meeting. Occasionally people saw some progress.

Just mentioned there are development plans, so tomorrow will be better, more businesses in the street and more work for residents in Chung Ying Street. Previously planned to construct a covered pedestrian walkway for facilitating the movement of customers. Now in progress and it is estimated to take at least 3 to 4 months for the initial construction.

District government has a strong will to enliven the street. District government is to invest in the building of a complex of offices outside CYS. All relevant administrative units of customers and army will integrate under one roof to facilitate the resolution of the visitors’ permits issue. The local government has made a Street Memorial wall designed on a historical pattern, which cost over RMB ten million. It took about half a year for construction and with the planning it took more than a year.

Shatoujiao Trading Development Co. Ltd. is the largest landlord. It provides assistance when possible if the businesses of tenants benefit. Certainly, it wishes that shops perform well once they start operations. Commitment is in accordance with the contract. Work is in accordance with the treaty. No guarantee for profit, full compliance according to the contract. The queue is too long: it takes much time for passengers’ clearance. The local government has decided to build a covered path for the hot summer. However, the environmental investigation authority has not approved the project.

The landlord is to bring in big brands such as McDonalds and other listed companies to become tenants. McDonalds did set up half a year ago and a few more listed companies’ stores will be set up soon.

On the Hong Kong side, owners do not have any development plans. Some of the owners are living overseas. The shop is properly built with records in the Lands Department. Last year they began to set up their owners’ corporation (OC). On the Hong Kong side, about 30% of construction is illegal. The Lands Department has ordered them to be demolished; this has reached the second stage. The Village Committee and all owners know of the presence of the Owners’ Corporations (OC).
The corporation discusses the demolition, resettlement history; OC will assist. Heard that a covered road will be built (China and Hong Kong both sides); two sides have to negotiate the future development, but nothing has been finalized. Tenants (Chinese side made the petition) have some complaints.

<table>
<thead>
<tr>
<th>On the Hong Kong side, a single building block owner has no special development plans and commitments.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only shop owner of a single block has no policy and promises to help tenant. Have to finish the individual building renovation work as soon as possible.</td>
</tr>
<tr>
<td>The Hong Kong side has OC, mainly for the owners to claim their own interests. The owner on the Hong Kong side has no commitment.</td>
</tr>
<tr>
<td>On the Hong Kong side, owners do not give any support on the whole. They do not worry about the lessee. There is no commitment for tenants. The OC is formed by owners only for the benefit of discussing the illegal building/structures problems.</td>
</tr>
<tr>
<td>Owners want to develop the street properly, increase visibility and make it known to more people, so that tourists feel at ease when buying things. Shop tenants on the Hong Kong side feel there is no OC; it is only a temporary organization composed of tenants. If the owners have such a group (OC) it will be more representative. The Chinese side has much clearer property ownership. The Hong Kong side wishes to have a business association formed by all business tenants with the owners to participate. It should be only for commercial purpose and should not be involved in politics. There is no commitment at all.</td>
</tr>
<tr>
<td>The Hong Kong owners are only responsible for their own shops. The owner is willing to be responsible for repair work and there is no other commitment.</td>
</tr>
<tr>
<td>On the Chinese side, the principal tenants will bring in more tours with increased passenger volume; establish more trash bins. Occasionally they bring in more passengers, and the number of bins is increased.</td>
</tr>
<tr>
<td>Shop owners of CYS, due to parallel traders and location, induced the customers to trade so that in the 1980s period this was the biggest special wholesale and retail trading zone and the only place to pick up gold. Owners only wish the tenants have business profits.</td>
</tr>
<tr>
<td>Hong Kong owners do not help at all. If business is good they increase rent, when it is poor business they reduce the rent slightly. Property maintenance cost is not</td>
</tr>
</tbody>
</table>
charged as well. Pre-war building was free of land tax.

Even as the owner, a trader just works without planning. Expect to sell only lower price consumer goods. Only sell ordinary low/medium price watches. Keep just the genuine goods. Selling fake items can greatly affect the business. Owners collect higher rents but ignore the issue of whether the tenants are selling fake goods.

As an individual owner, the Water Bureau has only a few properties in the Street. No development plans at all. Tenants have to be responsible for their own maintenance payments.

The landlord of the shops in CYS tried to help tenants to get good policy but was unable to fulfil the promise, because the street is under the direct control of the Central Government. With other customs and troop requirements and policies, the landlord is also unable to have an effect. Had planned to build VIP access in 2008, but until today this has not been completed.

Landlord wants to make the street thrive. Local government is now constructing a new building complex; there is a new channel with customs’, military and landlord’s co-operation. Hopefully it will be completed before the end of this year.

Landlord should have agreed to requirements for improving the district. The local government started to build a complex to accommodate the customs, army and related government authorities under one roof. Such arrangement will improve future applications and increase the tourist entrances for CYS. The complex is under construction.

Table 4.23: Implication of the findings from answers to Question 5

<table>
<thead>
<tr>
<th>Category</th>
<th>The owner’s commitments fulfilled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic Nationality Occupation Business Type</td>
<td></td>
</tr>
<tr>
<td>Chinese Chinese leader HHYR Manager Official Owner Professional worker Catering Government Retails Services Wholesale s &amp; Retails</td>
<td></td>
</tr>
<tr>
<td>Covered path stopped</td>
<td>N % N % N % N % N % N % N % N % N %</td>
</tr>
<tr>
<td>Construction work in progress for office complex</td>
<td>40.0% 20.0% 0.0% 0.0% 33.3% 100.0% 12.5% 100.0% 50.0% 50.0% 0.0% 33.3% 18.8%</td>
</tr>
<tr>
<td>Some features completed- copper pictures wall</td>
<td>20.0% 25.0% 0.0% 0.0% 16.7% 0.0% 31.3% 0.0% 0.0% 0.0% 50.0% 0.0% 31.3%</td>
</tr>
<tr>
<td>HK side no planning or construction</td>
<td>40.0% 45.0% 100.0% 33.3% 0.0% 43.8% 100.0% 50.0% 50.0% 0.0% 66.7% 43.8%</td>
</tr>
<tr>
<td>More indicators</td>
<td>0.0% 20.0% 0.0% 0.0% 0.0% 0.0% 25.0% 0.0% 0.0% 0.0% 100.0% 33.3% 6.3%</td>
</tr>
</tbody>
</table>
Interpretation of the findings:
This also demonstrates the resources characteristic variable. The landlords are important resources that provide the facilities to attract the customers. The Chinese side has two major landlords, one from the national government enterprise and the other is the local government business unit. The Hong Kong side has many different individual property owners. The Chinese government enterprises have a strong financial ability to build public facilities to enhance the attraction of the CYS. They plan to build a covered pathway, construct an office complex and finish the copper curtain walls with historical features. However, less than half (40% Chinese, and only 20% Chinese Hong Kong) believed the local government is fully committed to the planning. The covered path has been discussed for over two years and so far no action has been taken. On the Hong Kong side there is no government support at all.

On the Chinese side two major local government backed landlords influence the control of the overall planning for the street. Conversely, individual landlords on the Hong Kong side adopt a free hand approach and follow the majority trend.
**Question 6**

Table 4.24: Findings from answers to Question 6

<table>
<thead>
<tr>
<th>Q.6 How do the business operators in the street maintain co-operation between two governments? How do the shop operators comply with two types of rules? Which system do they prefer and why?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Hong Kong government does not participate in any commercial functions, shop operators act according to their own ways; some goods can only be bought on this border. This community is located in a good place. It is a good place to live. There are two sets of rules, and local customs have advantages and disadvantages. If one feels it is unsuitable then one can move out. Products in the two zones are similar, due to labour costs and tax elements and rents being relatively lower on the Chinese side, so people like the shops on the Chinese side.</strong></td>
</tr>
<tr>
<td><strong>China and Hong Kong are two parties, each with different laws, and the Hong Kong side is comparatively freer. Firstly, by operating a business on the Chinese side, then adding another store on Hong Kong side, it was found that the HK side had fewer restrictions and was more flexible so that it was possible to sell drugs, whereas on the Chinese side people cannot sell medical products. The selling and marketing strategy was adapted to the rules of each side, but overall there are high operating costs and each side has its strengths and weaknesses. There is a need to arrange different logistics to classify different goods, the operations are very tough in the street; one wishes to take the best of the Chinese and Western strengths.</strong></td>
</tr>
<tr>
<td><strong>It is a narrow road, and only a few steps across to the two political systems, selling similar goods; we just need to have business achievements, no different from the two systems. Trading value is no limit in Hong Kong; the street cannot substantiate the advantage of the Hong Kong economic practices.</strong></td>
</tr>
<tr>
<td><strong>There is freer trade on the Hong Kong side, each with its own trading pattern, their own stores will not sell fake goods, customers have the confidence to buy good quality merchandise; most goods are supplied by Hong Kong suppliers. Hong Kong goods are rather genuine.</strong></td>
</tr>
<tr>
<td><strong>Prefer to use Chinese rules, because they are more flexible and negotiable. Most shop operators like the Chinese type. The tax on the Chinese side is less.</strong></td>
</tr>
<tr>
<td><strong>Use HK$ as the price for transactions on both sides. Chinese mainland is bound to</strong></td>
</tr>
</tbody>
</table>
comply with Chinese law. Hong Kong’s side has to comply with its own freer regulations. Tenants rather like the Chinese side, as there is room for discussion. Chinese tenants do not know the regulations on the Hong Kong side and the Hong Kong government policy. There are not many taxes on the Chinese side.

The mode is similar to Hong Kong, free trade, all prices are in Hong Kong dollars, the currency is freely convertible. On the Chinese side, if one operates a department store you can also sell many things, if not then the store will have many restrictions. Prefer Hong Kong’s generous mode; more freedom, transparency, free talking and not evasive. Comparatively, the Hong Kong government officials are more accountable; the mainland officials shirk responsibility. For trading scope, Hong Kong is freer and has few limitations.

Shops on the Chinese side buy all their goods from the Hong Kong port. The street needs no clearance papers from customs. Wine shop tenants do not know whether duty-free applies. Tenants like the Chinese side shops, because the shop rent, labour and other costs are relatively cheap. Chinese tenants also know the trading conditions, and invoices from the Chinese shops are needed for the mainland purchasing units.

Two governments (two local governments, one national government) and flexible enforcement. Coordination is also troublesome, there are two different local laws, and one cannot only be unilateral. On the Hong Kong side, tenants do not understand much, but the Chinese community has lower living costs ...... still prefer the Chinese community.

[Maintaining authentic genuine goods, there are heavier penalties?]; both governments should seriously enforce the customs law and order. Business operators should observe their own rules and regulations, and go by their respective operating systems. Governments on both sides should coordinate to enforce the law against fakes. Tenants like the Hong Kong side, as the goods are guaranteed and the rules are simple.

The Chinese geographical boundaries are closest to Hong Kong, there is good trade co-operation, and no customs and tariffs at CYS. The Hong Kong side sticks to its own tax rules. In sole proprietorship, like the Hong Kong stores, work is conducted according to the regulations; one does not have to get permits through personal
relationships. Shops quote prices in HK dollars; bad tour guides mislead tourists telling lies that the Chinese side shops sell goods which also belong to Hong Kong. The street office for the Chinese side is also responsible for cleaning. Both law enforcement agencies coordinate and work together.

<table>
<thead>
<tr>
<th>Shops on the Chinese side also use HK dollars for pricing their goods, it is mutual cooperation. Each has its own laws for enforcement. The Chinese side has a bigger area, and rent is cheap; the Hong Kong side is freer, and medicines can be sold. Tenants prefer the Hong Kong side due to its free trade policies.</th>
</tr>
</thead>
<tbody>
<tr>
<td>All goods transported in the whole of CYS are from the Hong Kong side. Goods sold are all quoted in HK dollars. When customers/tourists on the Chinese side make complaints against Hong Kong side shops the Chinese side assists by co-ordinating with HK for law enforcement. The Hong Kong side is comparatively easy, but the shop area is relatively small. Most property is owned by owners who are also business operators. We are more familiar with Hong Kong government procedures which are simple, and prefer the Hong Kong system. The China side is very strict and requires inspection every year. Rent is very different on either side, with the Hong Kong side being expensive.</td>
</tr>
<tr>
<td>All the street shops use HK dollars for quoting prices. Law enforcement occurs through joint operations, working together to handle complaints on both sides. We like the Hong Kong side, because there is a better and cheaper tax system. There is a clear governing policy. The Chinese side restricts the sale and purchase of goods. Hong Kong administration includes no sales tax. The Chinese side is 7.5% cheaper than the mainland and saves 17.5% VAT, provincial and imported goods tax.</td>
</tr>
<tr>
<td>There is no major coordination. All goods are basically supplied by Hong Kong companies via the HK port. Each side observes its own rules. Tenants prefer to have shops on the Hong Kong side because customers like the goods sold by the Hong Kong side; to their mind, fake items are sold by shops on the Chinese side. The Hong Kong side is selling genuine, real items. The Chinese side would be better off if it could lease to large listed companies or big branded products shops so as to gain the confidence of the Chinese tourists.</td>
</tr>
<tr>
<td>Both governments may have meetings but these are unknown to businessmen. All shops have used HK dollars to quote prices since the 1980s when the street began its</td>
</tr>
</tbody>
</table>
operations. Shops take HK dollars for goods purchased, but also accept RMB with the exchange rate. Shop tenants prefer the Hong Kong system as a matter of habit, and they are used to the system.

Tours only go by designated routes, and the reception capacity is adequate. There is no communication between Chinese authorities. Other store operators would like to have a mutual association to reflect their points of view. The whole street uses HK dollars to give price quotes. The Chinese side shops are bigger and safe structurally. We prefer the Chinese side, because it is bigger in size and has room for development, and to maintain our main warehouse and trade in daily foods. It is best to sell food such as rice, and Yakult, and there is high demand. The customs are tight as milk and rice have exceeded their limits.

The street maintains HK dollars for quoting prices for goods. We must sell genuine goods. We like the Chinese side because there is more passenger traffic; there are no customers from the Hong Kong side.

My personal view is there is no co-operation. All goods on the street quote HK dollars for pricing. If mainland customers are deceived by a Hong Kong side store, the police on both sides have to coordinate for law enforcement. Shop operators prefer the Hong Kong side, because the law is relatively clear. Customers have confidence in shops on the HK side where the rent is very high. The Hong Kong landlord rented to mainland Chinese people, but they indulged in fraudulent practices and sold fakes, which undermined customers’ confidence in the Hong Kong shops.

The two government departments should have full co-ordination. After a recent meeting, there was cross-border unilateral law enforcement. Goods on the street all use Hong Kong dollars for price quotes. We prefer Hong Kong side shops, because the tax is simple. The Chinese side is very complicated; it is troublesome to get workers’ permits that have to be renewed every three months. There are also three types of labour insurances. Hong Kong people operate shops on the Chinese side, but there are very complicated procedures to get business licences, which also limit the scope of business.

Only occasionally, both sides work together to fight fake goods. In the past, it was very strict but now it is lax. Both sides are using Hong Kong dollars for price
quotes. Work is according to Hong Kong rules. We prefer Hong Kong as there is more freedom. Across the Chinese border there are more restrictions.

Prices of goods use HK dollars for quotes. We prefer the Hong Kong side store, it is not too restrictive for trade; we can sell a comprehensive range of goods. The self-employed store on the Chinese side is on a fixed tax.

There is very little cooperation, except in combating unlicensed goods or fakes. Featured goods are all priced in HK dollars. (Formerly the HK$ was higher than RMB so that we had to take HK$ in order to repurchase stock.) Each side follows its own rules. The Hong Kong side is more flexible, but it depends on the rent and tax to determine which side on which to lease. If the trade involves cigarettes, alcohol, drugs, you must rent a shop on the Hong Kong side.

There is business cooperation: we cooperate very well, fighting against the fakes. The newly formed Chung Ying Street Authority had failed to communicate with landlords/tenants on the two sides. The businessmen should behave ethically. The property owners should not rent out shops to those selling counterfeits. The Chinese side has a mechanism to control tenants selling fakes. Unfortunately, the owners on the Hong Kong side do not have this mechanism. It was never seriously considered, but labour and rents are higher on the Hong Kong side, with the right to sell cigarettes, alcohol, medicine and other more goods freely. We preferred the Chinese side that has advantages, and we are more familiar with the operation.

All shops use HK dollars for price quotes. Each keeps to his own rules. We like the Chinese side, because it is more flexible for catering and snack business in a small stall. We are familiar with the Chinese community's eating habits and taste, but also the vast majority of the customers are mainland people.
Table 4.25: Implication of the findings from answers to Question 6

<table>
<thead>
<tr>
<th>Category</th>
<th>Performance of the two-systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic</td>
<td>Nationality</td>
</tr>
<tr>
<td>Chinese</td>
<td>Chinese HK</td>
</tr>
<tr>
<td>Themes</td>
<td>N%</td>
</tr>
<tr>
<td>Only law enforcement units on both sides co-ordinate to combat commercial crimes</td>
<td>0.0%</td>
</tr>
<tr>
<td>Shops all quote price in HK dollars</td>
<td>20.0%</td>
</tr>
<tr>
<td>Each follows its own rules</td>
<td>20.0%</td>
</tr>
<tr>
<td>HK side no co-operation and no gov. intervention</td>
<td>40.0%</td>
</tr>
<tr>
<td>Chinese side local gov. lead the festival activities</td>
<td>40.0%</td>
</tr>
</tbody>
</table>

Interpretation of the findings:

The results show the outcomes of the activity variable. Less than 20% Chinese on the Hong Kong side (0% on the Chinese side), long-established shop operators and managers felt that both governments co-operated only in law enforcement against commercial crimes. Nearly all of the shops in CYS use Hong Kong dollars to quote prices (50% Chinese on both sides) and 37% of wholesale and retail businesses stated that this is fact. All (100%) community leaders, professional persons and shop operators established 6-10 years ago believed shop operators on each side follow their own local laws such as the taxation regulations. On average, over 50% of the Chinese and trading business operators were found to be well aware that the Hong Kong government gave no support and made no intervention on the street business. About 50% of the actors in business agreed that the local government in the Chinese side usually took the lead in organising festival activities. This therefore suggests
that all shop tenants comply with the laws and orders according to the location of their business premises either on Chinese or Hong Kong side.

Question 7
Table 4.26: Findings from answers to Question 7

<table>
<thead>
<tr>
<th>Q.7 How good are the facilities and location provided for their business?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shatoujiao is a small village town scene: security, maintenance, etc., the business environment, and the establishment are comparatively good, the tax system is simple, there is no audit. An additional advantage is that we do not have to travel a long distance to the urban areas in Hong Kong to buy the same goods. Customers have to apply for a day entry permit. CYS is in Shenzhen, which is relatively close to the street, and it is easy to access this special zone. However, the restrictions of entry do limit business growth. Earlier facilities were poor, but they are now improved: the mall has been renovated; there are shops of different sizes; all have air-conditioned facilities; power supply has increased so we can install spotlights; the drainage system has improved and scan cope with heavy rain, so the area is more clean; the quality of consumers is better, there is high consumption with higher service demand; and there are relatively high-priced products such as electronics, which are worth about a thousand dollars, but the amount of the daily exit quota is only RMB 3,000 from customs. We hope the quota is raised in line with the Lo Wu quota to RMB5,000. Shop tenants have conveyed this request to the landlords. Tenants also hope to extend the opening time in the zone and business hours. If HK can cancel the permit system, then passenger/tourist numbers will increase. At present, only Saturday and Sunday CYS have more customers than weekdays.</td>
</tr>
<tr>
<td>Location: Shatoujiao in Hong Kong is convenient for mainlanders, but, after visiting, mainlanders feel unhappy due to the sale quota. The location is close to downtown Shenzhen, but there are too many restraints, such as the visiting time and the entry permits issue. It is more trouble than any other port, and the system is too rigid. Chung Ying Street should be more relaxed than the other ports; customers are very unhappy about shopping and purchasing goods in Chung Ying Street.</td>
</tr>
</tbody>
</table>
The street is near Shenzhen, about 20 minutes’ drive from Lo Wu. There are daily coaches that transport visitors to the street. Customers have assured quality purchases. It has good geographical location. Even with different political systems, imported cargo can easily enter. There are many choices for multi-branded commodities, especially children’s supplies such as milk.

Now the amenities and business are not ideal, there is no planning, it is messy; everyone is only chasing to buy the same hot items of daily necessities. There is no facility on the Hong Kong side; on the Chinese side there are Chinese museums, squares, etc. and also a toilet. The Hong Kong side restricted area needs an entry permit, which is very troublesome to get, so there are no facilities.

There are not enough personnel to manage the queue in the entry port. We hope to relax the permits issued to staff. There are insufficient parking facilities, but it is hard to find suitable places for a car park. Recently, 3 levels of underground paid parking spaces have become available at the No. 1 Chung Ying Street new building.

There are only a few facilities, there are ancient wells, museums, etc. but only 2 public toilets, we need at least 10 more. These health facilities are human needs for every person. The more convenience is provided, the more visitors will come. Recently, there have been more people and the need for water and electricity are fine, but trash bins numbers are also inadequate, though cleaner numbers are sufficient. The drainage system is unable to cope during heavy rains. Transportation to CYS is very convenient. Chung Ying Street is a good place to do business, the location is very good. The SAR is a free trade zone, the general daily necessities can also be bought from the Hong Kong side, even goods that China does not have can also be bought in CYS here. Perhaps CYS could be transformed and permitted to establish border trading points with the mainland companies.

The number of public toilets is not sufficient. The Hong Kong side has to consider setting up a customs office and opening up more space, because visitors need a relatively large space to rest, also installing rest chairs and garbage bins, and the toilet signs are not clear and adequate. This place is supported by the national policy. In the 1980s, only in this street could one buy gold. The nation had insufficient materials in the 1980s, but supplies could be bought in the street. Now nearly everything is available everywhere in China. Meanwhile, there are more ports
available to Hong Kong for shopping. There is a dedicated public bus to Chung Ying Street. Light rail trains are also planned to Yantian, but many residents along the road are opposed, so it is under suspension.

This is a very special zone, outside the customs territory, within the border with duty-free benefits. For doing business it is a good location. It is close to Hong Kong, near Shenzhen City in a convenient location, and it is easy to get permits to CYS. Passengers’ toilets are not adequate; they need to increase the number of toilets.

This is outside the customs territory, and there are border and customs facilities. It is very inconvenient for Shenzhen people to get permits to go to the street. Compared with the flow of customers, the number of public toilets is not enough; the present signs are obvious, but not clear and insufficient. It is a good location, close to Shenzhen City. Traffic is easily accessible. There are insufficient car park spaces during festival days and holidays.

It is convenient for tourists. Travellers do not know the location of public toilets. Indicators are not clear, there are too many people, and the facility is seriously insufficient. Shops on the Chinese side do not have their own toilets, Hong Kong shops normally have living rooms at the back, so there are toilet facilities. There are viaducts and buses; however visitors cannot enter the Hong Kong side of Chung Ying Street.

Facilities are not many for doing business as the free trade area (FTA). CYS is one of the tourist attractions. There is a badly managed museum and too few toilets, with poor signs to indicate their location. If there are inadequate facilities, lack of coordination matching the old and modern theme, no tourism feel, no guided tours and no happy atmosphere for the tourists at the time, this will decrease the attraction. Traffic for the location is quite convenient: it is easy to drive from the city with clear driving indicators.

CYS does not have many facilities like most free trade areas (FTA) have. Public toilets are very insufficient with unclear and few indicators. There is only a free museum, but no tour guide. It is considered to be one of Shenzhen’s tourist attractions. The location is quite convenient: with public transportation. There are clear indicators to guide the drivers to drive there from Shenzhen. We heard that a light rail train (LRT) is planned so it would be better.
CYS is a tourist attraction. For transportation trade, more people buying goods means more business. On the Hong Kong side there are no tourists, and we mainly rely on Chinese territory attractions. There is an inadequate supply of public toilets and the indicators are not clear or sufficient. Many tour groups also visit this attraction. Passengers from groups have free access. CYS is easy to find; all taxi drivers in Shenzhen know this place. Public transport in Shenzhen is also very convenient.

There are not many facilities, and no good guidelines: one even cannot find public toilets on the Chinese side. The main street on the Hong Kong side has no public toilets. Small shops on both the Hong Kong and China sides also have no toilets of their own. It is very inconvenient on the Hong Kong side: there are insufficient minibuses; the public transport frequency is not sufficient.

As for facilities, the access entry is too narrow and the design cannot handle long queues. Visitors are unwilling and feel bad to come to such a place. Tenants wish the authorities would develop and encourage more mainlanders to come shopping; we hope to expand the entry access and the gateway. We should allow only genuine goods in the street. Any fake items lower shopping confidence and the reputation of the street. There is a serious shortage of public toilets, and the indicators are not clear; only the Chinese side can improve, because the Hong Kong side has no land available. The location is convenient and it is easy to get access. There are buses and taxis. The opening of the building at No.1 CYS will provide some car parking space. It is hard to build a separate parking lot.

Toilet facilities need to improve: only the Chinese side has two toilets, and this is a serious shortage. CYS has a good geographical environment: the Chinese side seaside landscape is very beautiful. For Shenzhen customers it is very convenient to come to the street by public transport or car. The Chinese government actively supports the CYS; the Hong Kong side is not supported.

There are inadequate public toilets; small signs that are not clear. The street needs to increase open space, such as a gazebo, chairs etc..... The queuing facility should be improved by enlarging the entry and exit port. The location is close to Hong Kong territory. It is fine for the Shenzhen urban areas. It is very convenient to travel to the street; it has public transportation and is also convenient.
There is a museum, but tourists come mainly for shopping for imported goods which are priced the same as in Hong Kong. They have to get the entry permits. Public toilets are only on the Chinese side in the street. Due to a lack of instruction and clear indicators, they are under-utilized. Hong Kong shops normally have toilet facilities. The road to reach the CYS port is convenient, there is a lot of public transportation and all taxi drivers know the place. Car parking is available.

On the Hong Kong side there are absolutely no facilities. The Chinese local government dug deeper into the riverbed and after that generally speaking there was no more flooding problem. There is good security, all visitors have identity records. Before 1967, gambling stalls existed. Mainland tourists find it very convenient to access CYS. CYS on the Hong Kong side is a completely prohibited area. If there is absolutely no reform and opening up it will become backward. The Hong Kong side is even more stringent after reunification. Before the bird flu there was no Customs or Department of Health unit station here. It is a dangerous location close to Hong Kong for any illegal birds entry port.

On the Hong Kong side there are no facilities, and no toilets. On the Chinese side, there are only 2 public toilets with poor and unclear signs. There is no resting place for travellers, but there is a resting place near the museum; the bank moved out from CYS and ATMs are also insufficient. It is difficult to get cash for shopping as there is only one ATM machine. Customers rely on the Chinese side alone; the Hong Kong side does not provide ATMs. It is accessible from Shenzhen City and all over the nation. Traffic is convenient.

There is a lack of tourist facilities, and only one free museum, no parks and two toilets with unclear indicators. The Hong Kong port is not available to passengers. Visitors have to use restaurant toilets. The transportation network is very convenient, visitors come from other provinces. It is easy to come from anywhere in the nation. CYS has no dedicated parking and there are very inadequate car parks especially on holidays.

The Chinese side facilities include a museum, a tower and the end of the street wall sculpture. On the Hong Kong side there are no public toilets, but in the shopping malls (within the Chinese border) there are enough toilets; but in the street it is not
enough. Public transportation is also convenient, but there is inadequate parking.

There are poor facilities, leaving only a small number of historical sites, just a museum, ancient wells and a sculpture wall. The main purpose is shopping. The street lacks public toilets; indicators are also inadequate and unclear. People feel it is not easy to find. Most people know this place. There is easy access to public transportation, but no designated parking lot and lack of parking space. Local people know the street well.

It only has a museum, ancient wells and a bronze statue wall built about one year ago located at the end of the street. There is a serious shortage of toilets which also have insufficient, poor and unclear signs. The location is easy to find, and all taxi drivers know this place. There is public transportation to access this street. There is a lack of parking spaces especially on holidays, outside the customs building.

Table 4.27: Implication of the findings from answers to Question 7

<table>
<thead>
<tr>
<th>Category</th>
<th>Successful factors</th>
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<tbody>
<tr>
<td>Demographic</td>
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<td></td>
<td>Chinese</td>
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<td></td>
<td>Chinese HK</td>
</tr>
<tr>
<td></td>
<td>Community leader</td>
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<tr>
<td></td>
<td>HHYR Manager</td>
</tr>
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<td></td>
<td>Official</td>
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<tr>
<td></td>
<td>Owner</td>
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<td>Professional</td>
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<tr>
<td></td>
<td>worker</td>
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<tr>
<td></td>
<td>Catering</td>
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<td></td>
<td>Government</td>
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<td></td>
<td>Retails</td>
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<td></td>
<td>Services</td>
</tr>
<tr>
<td></td>
<td>Wholesale &amp; Retails</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Themes</th>
<th>Nationality</th>
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<td>Chinese</td>
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<td>Community leader</td>
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<td>Catering</td>
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<tr>
<td></td>
<td>Services</td>
</tr>
<tr>
<td></td>
<td>Wholesale &amp; Retails</td>
</tr>
</tbody>
</table>

Interpretation of the findings:

The attributes of a community is another variable that shows the success of CYS under the IAD framework. There are many factors responsible for the success of the business in the street. The main elements that bring success include geographical factors such as: closeness to the Shenzhen City border of China and Hong Kong, easy access to the location, very convenient public transport, being a well-known popular
tourist place for historical relics and very clear road indicators for drivers to access CYS.

**Question 8**

Table 4.28: Findings from answers to Question 8

<table>
<thead>
<tr>
<th>Q.8 How do the entrepreneurs evaluate the business success under the “One Street Two Systems” concept in Chung Ying Street?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The climax of the 80s-90s has passed, now there are more abundant domestic supplies, and goods previously only available in Hong Kong, gold for example, are now available throughout the country. However, for evaluation purpose, it should be regarded as a success; otherwise the whole street should be gone.</td>
</tr>
<tr>
<td>The China and Hong Kong sides are very different in terms of business licences, being two different models. The crowds in CYS look relaxed, and overall it is a success. There is money, then there is a tenant, or else the shop is vacant; if flow increases, rent can be increased. To increase the flow of people, we need the authorities to relax the policy and to extend the opening hours. Now, although it is successful, it just like at the dead end of a successful period.</td>
</tr>
<tr>
<td>The street should benefit from “One Street Two Systems”. It should relax entry permit criteria and issue multi-entry permits. The control is too troublesome. Customers of restaurants cannot go shopping; workers in the street should get special permits; this area should be expanded in size. Even the waterfront should be developed into a tourist attraction. Foreigners find it difficult to enter. There seems to be no substantial help, it just depends on the operators to create their own success.</td>
</tr>
<tr>
<td>It is a special zone, large companies are new shop tenants on the Chinese side, such as Bonjour (listed in HK); McDonalds is also stationed here. They would not choose to lease the shop if the street was not successful. Coupled with tax incentives in the street, it acts as a [pilot?], has more freedom than inland, and is also duty-free. Hong Kong Customs check the imported goods and guarantees the quality of goods coming to the street. The CYS and inland are quite different, but the Hong Kong side controls the entry of goods and it is difficult for visitors to get in because it is hard to get a permit. The customers are all Chinese tourists; Chinese and Hong Kong shoppers are in harmony; the Chinese side has proven successful as large companies</td>
</tr>
</tbody>
</table>
are stationed there and the business benefits are overriding limitations, which means success.

A few people think it is less of a success. Now, on the Hong Kong side, overall border trade is undesirable and inappropriate. Everyone feels that, even though they are under one government, after the two places united the systems are still very different.

We are promoting Sino British (now HK) exchange. There is less tax when buying goods in CYS, trade and business are successful; some come to get goods for their Hong Kong shops and for shops on the Internet such as Taobao. There are also parallel-traders (who can buy goods every two weeks). Residents in Shatoujiao can get a yellow permit to purchase goods every half month. Normally, they are allowed to bring small quantities. (a yellow permit allows one to buy RMB500, and RMB3,000 for a blue permit).

Chung Ying Street is a success, if the shops were to introduce new brands it would be relatively easy to get mainland sales. It may be good to act as the test area for new goods as there is no requirement for quarantine. People have confidence in goods from Hong Kong, whether imported or domestically produced, especially baby products.

Traders feel the success of free trade, and it is popular since the two systems now work together. Now the Free Trade Areas (FTA) are established and large trade may influence CYS, and perhaps it is a success and was brilliant when it was the only place to buy gold in the whole country in the past. Whether it will be still successful in the future is difficult to know as there are too many variables.

This concept is very special: “One Street, Two Systems”, it is in fact a duty-free zone, providing special preferential policies, and the policy is used well; it is a successful reform in history. In the last 60-70 years, it has been very successful due to a relative lack of material supplies. Now there are more sources and, since (China) has joined the WTO, tariffs have been lowered. There was a time when in CYS there was forced selling and forced buying and businesses were in decline. Then depression occurred, but now it is slowly recovering, and CYS is commercially successful.

There is general success, but we cannot make a large profit; there is free trade, but
only to make small money.

<table>
<thead>
<tr>
<th>Under British rule, business was a big success. The insufficient materials supply in mainland China motivated most travellers to spend lots of money to buy goods in CYS. Now Shenzhen has many shopping malls with supplies of imported goods. At present, basically it is still successful, as all the shops are open, not closed. CYS should add more new retail and wholesale businesses with goods that cannot be found in the mainland.</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is considered a success, according to people who engage in all trades, because they all get reasonable payback, and the Chinese side is relatively cheap. Shops have operated for many years, and security is very good.</td>
</tr>
<tr>
<td>The historical legacy of “One Country, Two Systems” is generally successful. All cargoes are transported from the Hong Kong side and all sell imported goods; there are two different governments but nearly the same business model.</td>
</tr>
<tr>
<td>CYS is a special place; visitors feel a sense of mystery. It is to be regarded as a good place to survive. Generally, it is a place for running successful business.</td>
</tr>
<tr>
<td>It should be fine, it is considered to be successful. The Chinese workers in the past did not clean up the Hong Kong side, but are now very cooperative.</td>
</tr>
<tr>
<td>Businesses achieve success; they are well known to many mainland people across the whole country. Many central leaders have also visited CYS.</td>
</tr>
<tr>
<td>It is considered a success, and succeeds in all types of trade. CYS security is very good: nearly all stores make a profit.</td>
</tr>
<tr>
<td>CYS can be considered successful. Most goods are sourced from Hong Kong companies. Genuine imported goods from HK evoke much confidence and the prices are reasonable.</td>
</tr>
<tr>
<td>Overall it is a success: a lot of shops are also open for a long time. The Hong Kong side policies do not encourage local visitors. There are advantages.</td>
</tr>
<tr>
<td>It can be considered successful because tourists from mainland China can buy duty free Hong Kong goods, free from quarantine inspection.</td>
</tr>
<tr>
<td>On the whole it is considered successful. The policy is important as that affects the street’s reputation. The Chinese side only leases to large Hong Kong tenants to ensure they sell genuine goods. Genuine trading gives confidence and a good reputation.</td>
</tr>
</tbody>
</table>
Some feel it is not successful; it all depends on external factors, on tourists. In the 1980s there were 150,000 daily visitors. Now the golden age (1991) has passed and gone.

A few also consider that now it is only a small success. The main source of customers is from the Chinese community, and we have to rely on central policy. Tenants can earn a living, but cannot get rich. If CYS does not reform and move with the times it will be the same as other ports or even decline.

This mode is a success. Within these two systems we live in peace, and can earn money. Certainly we can expand the scale. The two systems are harmonious, they make money together.

The most successful period was in the 1980s, the daily flow then was about 150,000 visitors, now it is only about 10% of what it was. The glorious period has lapsed. In the past it was more successful and now it is just generally a small success.

Table 4.29: Implication of the findings from answers to Question 8

<table>
<thead>
<tr>
<th>Category</th>
<th>Shoppers' Views</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic</td>
<td></td>
</tr>
<tr>
<td>Nationality</td>
<td></td>
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<tr>
<td>Occupation</td>
<td></td>
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<tr>
<td>Year of establishment</td>
<td></td>
</tr>
<tr>
<td>Business Type</td>
<td></td>
</tr>
</tbody>
</table>

Interpretation of the findings:
The interview results reflect the patterns of interactions. The shops operators considered that CYS has evolved over a long time via various interactions to have achieved its overall success. However, there were different opinions. All (100%) Chinese, government officials and long-established shops (over 10 years) on the Chinese side considered CYS a success. On the Hong Kong side, 25% of both the Chinese and the community leaders felt the success was declining, some (25% Hong Kong Chinese) considered CYS was a success only in the past and a small number
(15% Hong Kong Chinese) even consider it is not successful. The prospects for future success are still unknown, especially as CYS has to face more competition under the modernisation and the new development of the Chinese economy.

### Question 9

Table 4.30: Findings from answers to Question 9

<table>
<thead>
<tr>
<th>Q.9 What improvements they would recommend to the street owner?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some businessmen feel that it is a good place to do promotion of special goods, extraordinary items and some non-disposable goods. Traders hope the local government will provide more concessions, such as the level of rents and tax.</td>
</tr>
<tr>
<td>On the Hong Kong side, the shop areas are not big enough, so it is difficult to expand their business. Customers do not have sufficient parking spaces outside CYS. Motorists find it difficult to find parking spaces.</td>
</tr>
<tr>
<td>Shatoujiao for the Hong Kong side and the Chinese government should relax the policy, give entry to the street to more people, free foreign currency exchange, and exempt self-consumption from quotas. Most traders in the street hope the street system will progress well in line with the times.</td>
</tr>
<tr>
<td>We will wait for relaxation at some time in the future; the Hong Kong side has greater restrictions, we hope to relax border passengers. CYS is a politically sensitive zone. Owners have no dominant power. It is a transitional and historical issue. The security of the area is very good. Traders and residents hope the forbidden buildings need not to be demolished.</td>
</tr>
<tr>
<td>There is a Street Authority - newly established on the Chinese side. If the buildings are renovated, trade practices are regulated, more leisure areas are added; shopping malls plus small businesses will be made suitable for this historic street, selling goods with Hong Kong features. Meanwhile, the authority should activate the many historical relics, temples and so on along the street. All these will attract more tourists’ interest; while doing some border trade business.</td>
</tr>
<tr>
<td>Proposals were suggested to promote awareness of Chung Ying Street, knock off bad trade practices, increase public transportation, retrofit and increase in number the public toilets, and extend holiday opening times. It would be good policy if</td>
</tr>
</tbody>
</table>
the Shenzhen Provincial Public Security Bureau issues daily permits for local residents, and increases traffic, then business will be good.

CYS is a characteristic narrow street: overcrowding is a feature that gives the feeling that there are many people in the street. The Chinese side has a more complex administration of sales tax than the Hong Kong side, which is relatively simple. Also it has to pay monthly tax, labour tax, labour insurance, security, provident funds and accommodation etc. all of which add to the costs. Regarding the street goods transportation, the delivery model still employs trolleys used 30 - 40 years ago. It still has to use labourers, with more labour costs, and more wear and tear, so the cost is also high. Chung Ying Street can separate the parallel traders. The Hong Kong side should increase the business area where mainlanders can go to reduce the chaotic conditions of Hong Kong New Territory districts. This should be a leading scheme of the Hong Kong authorities. The Hong Kong side has illegal structures that have been talked about for a long time, and it should be properly handled. The Chinese side only has two major landlords and on the Hong Kong side, unless there is an acquisition by a large property developer or the government, it will be difficult to form an independent owners’ corporation to handle the unauthorized illegal buildings.

Traders requested the relaxation of the customers’ entry and exit allowance for visitors, to bring in more branded and luxury goods, but also to consider the extension of the opening time, especially needed for the catering industry, starting from the holiday festivals.

Shop owners on the main street struggle with government and ministries to get central policies to support them. All businessmen intend to improve businesses conditions by reflecting the needs through various channels. Some policies have been implemented for decades; the question is whether these can be reviewed: for instance, it is more difficult to get permits to CYS than to get permits to visit Hong Kong. It involves broader aspects; authority cannot decide how many duty free purchases should be allowed to exit the CYS Customs port, such that tourists do not desire to go shopping in CYS. It needs a decisive move: to separate tourists and parallel traders would be much better; the customs officers and troops have to communicate well in order to achieve the above decision.
<table>
<thead>
<tr>
<th>Local government on the Chinese side expects to use an effective system to accelerate efficiency for the permits issue; they should allow having multi-entry permit as it would be more convenient.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good shop operators recommend verifying sources to ensure really genuine goods; if there are fakes, their reputation is difficult to build.</td>
</tr>
<tr>
<td>Shop operators recommend demolishing the decorative frame and delegating authority to the District committee to effectively manage the street. They should make permits more convenient and easy to obtain, have more in/out street check points, establish a standard for the customs clearance system, and give clear guidelines for the customs free quota, in line with other ports like Lo Wu.</td>
</tr>
<tr>
<td>The local government wants first to finish the complex building outside the entrance. Hong Kong shop operators wish to let a district committee manage the street. All businessmen wish to relax the permits issue, and introduce multiple entries for visitors or border traders, also that Customs set up a standardized policy and system to monitor the people flow.</td>
</tr>
<tr>
<td>There is a proposal to extend the opening time until evening. We hope it could become a special icon and we can have night shopping.</td>
</tr>
<tr>
<td>Nothing can be improved, only to adapt to changes in the mentality of the mainland visitors. There are special professional services in the street. If people feel the professional fee is too expensive, the number of customers will decline, but the flow of visitor numbers will not be affected much.</td>
</tr>
<tr>
<td>All business operators properly run their shops and do not sell fake goods. The owners strive to establish a good image for the street and maintain its reputation.</td>
</tr>
<tr>
<td>Too many fakes are flooding the street. It will affect the legitimate businessman! Hong Kong law enforcement is not strict: it will have a significant impact on business. The new Chinese Street Control office has placed warning signs to notify tourists for the Hong Kong merchants.</td>
</tr>
<tr>
<td>Shop operators wish that there was no limit to the passenger flow and that the entry and exit ports were more convenient for tourists. Currently, the exit queue is too long. It is expected that the authorities will add another channel to help access for an increased number of tourists. With Customs inspections, if the control is too strict it would be difficult to exit. The museum and public toilets are not hygienic and need</td>
</tr>
</tbody>
</table>
more cleaning. Parking spaces in the port are insufficient. They have to provide more parking spaces for car drivers.

CYS has room for improvement. We hope the shops do not sell fakes: it will affect the whole street’s credibility and also we have to correct bad business practices, increase tourist facilities, add more entrances and resolve quickly the issue of vacant shops.

The owners certainly will not bother about any improvements. Before 1997, in the area in CYS shop number 1-3, there were no troops and border police post. They were set up after the Chong Fung Yuen (莊豐源) case (the Final Appeal Court decision) allowed ethical Chinese born in Hong Kong to enjoy the right of abode in Hong Kong. We wish to free these two posts. The multiple entry visas for Shenzhen residents replaced the importance of the blue permits to CYS. It transferred the parallel trade problem to Hong Kong. Individual police officers’ attitudes are worse than their urban counterparts: there is a lack of courtesy and their handling of tourists is unfriendly. They often arrest tourists inadvertently as they accidentally go to the HK side. The media are unable to come to CYS to report. We request that reporters get free access.

The landlord on the Chinese side should do the detailed due diligence checking on potential tenants to ensure they will not sell counterfeits. Both sides should have stringent law enforcement. The Hong Kong side landlord leased to tenants who also have hired illegal workers. Visitors are afraid of getting fake goods.

Landlords should improve tenants’ background checks and ensure they are not selling counterfeit goods; otherwise, CYS will be flooded by fakes. There is a need to investigate and report selling fakes to authority, so as to prevent the damage of goodwill for genuine trade by good merchants. CYS has been previously well known for selling fakes. This notorious image was noted by the central government and at one time it ordered the whole street to be closed down.

We should be sure to communicate with the government, which has made feasible policy, well equipped to attract tourists. Hong Kong Customs and Chinese border customs must perform rigorous checks to get rid of counterfeits and fakes. The landlords should prevent profiteers from earning quick cash by selling fakes.

All shop operators agreed that an increase in customer flow is good for the whole of
CYS. They all hope the authorities will provide more convenience for customs clearance and extend the operating hours of the street. It is very beneficial for the restaurant trade to have additional business hours. Security is good. We request that the government create more liberal policies, such as sign multi-entry permits, and increase tourism and recreational facilities.

Landlords on the Chinese side want to appeal to the local government for preferential policies like in the past, to relax more locals to enter the street to shopping. We hope customs will give clear guidelines for the customs clearing value, and the value should be the same as other crossings ports, i.e. generally RMB 5,000 allowance.

Table 4.31: Implication of the findings from answers to Question 9

<table>
<thead>
<tr>
<th>Category</th>
<th>Improvements Suggested</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>Owner</td>
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<tr>
<td>Professional worker</td>
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<tr>
<td>Year of establishment</td>
<td></td>
</tr>
<tr>
<td>Between 1 and 5 Years</td>
<td></td>
</tr>
<tr>
<td>Between 6 and 10 Years</td>
<td></td>
</tr>
<tr>
<td>Less than 1 Year</td>
<td></td>
</tr>
<tr>
<td>Over 10 Years</td>
<td></td>
</tr>
<tr>
<td>Business Type</td>
<td></td>
</tr>
<tr>
<td>Catering</td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td></td>
</tr>
<tr>
<td>Retails</td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td></td>
</tr>
<tr>
<td>Wholesale &amp; Retails</td>
<td></td>
</tr>
<tr>
<td>Themes</td>
<td></td>
</tr>
<tr>
<td>Customs to give clear guidelines</td>
<td>0.0% 100.0% 31.3% 0.0% 22.2% 0.0% 33.3% 33.3% 0.0% 50.0% 0.0% 0.0% 31.3%</td>
</tr>
<tr>
<td>More support policy</td>
<td>100.0% 50.0% 0.0% 37.5% 0.0% 44.4% 25.0% 33.3% 50.0% 100.0% 50.0% 0.0% 0.0% 43.8%</td>
</tr>
<tr>
<td>Ease the visitors’ entry</td>
<td>0.0% 50.0% 0.0% 12.5% 0.0% 22.2% 0.0% 50.0% 0.0% 50.0% 0.0% 90.0% 0.0% 18.8%</td>
</tr>
<tr>
<td>Enlarge the entry points</td>
<td>0.0% 50.0% 0.0% 18.8% 0.0% 33.3% 0.0% 33.3% 16.7% 100.0% 0.0% 50.0% 0.0% 18.8%</td>
</tr>
</tbody>
</table>

Interpretation of the findings:

Continuing on from the previous questions, this information reflects the actors’ desire to have more features that help maintain the success of CYS. The shop operators have petitioned landlords and government to improve CYS to ensure business is run successfully. They have requested that the Chinese customs department give clear duty free guidelines and the government give more supporting policies (100% community leaders and the catering business on the Chinese side) to enlarge the entry ports areas and to ease the entry permits requirement both for customers and workers. They, especially the restaurants (100%), also demand more public facilities in the street such as public toilets. With these movements and this lobbying, through the
interaction of the actors, one would certainly anticipate that CYS business will rise in an upward trend pattern. However, if there is no support from the Chinese government, the continuity of the success of CYS will face a great uncertainty.

Question 10
Table 4.32: Findings from answers to Question 10

<table>
<thead>
<tr>
<th>Q.10 Open session for your questions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The HK district committee (DC 区議會) also feels that the multiple-entry visa is difficult and that increasing the flow of people, widening the entrance channel and the visa program will accelerate the street and build a special type of tourism. DC agreed that entry customs allowance should be increased (from RMB3,000 to RMB 5,000 or RMB10,000), that the fakes problem should be checked by increasing fines for fake goods and that there should be extended business hours.</td>
</tr>
</tbody>
</table>

Shop operators all wish for reforms: adding to the transportation network; increasing the spot times; increasing the number of parking spaces; extending the switching time; reforming the long visa validity; and making the amount of the customs quota exit value to be the same 5,000 as is allowed in the Lo Wu port (now only 3,000). Traders hope CYS will become free of excise controls and that there will be a change of visa type with cost increases in accordance with the timelines. It is considered that convenience is more important than cost. Zhuhai (on the south bank of the Pearl River) location is different, but there should be no major impact (on CYS) in the long-term. If the government does not improve in this area and it is less competitive with Hengqin (橫琴) (a district of Zhuhai) tourist facilities, CYS will be affected. The CYS zone should strengthen its traffic. For the majority of border ports like Lo Wu and Huanggang (also on the border between Shenzhen and Hong Kong) the closing time is 12:00 pm and 24 hours respectively. The switching time for the street is too short, thus hindering the development of the street. The potential is there for development with good tax incentives and government policies. Other improvements of the street only rely on big landlords. It is difficult to direct the government.

Zhuhai (珠海) Hengqin (橫琴) Island is a different place with different operators,
each with its own geographical advantages. Hengqin has undergone recent modern developments with new facilities. However, the developed policies already exist for CYS which is centuries old. This policy is the district and province problem. They have to learn from experience. A free trade zone has been introduced and consumers can directly purchase goods from foreign countries. The street with its reasonable rents allows the price of goods offered to be affordable. We hope for parity, so that the street has the same custom-free value as other ports. This is a good place for the two governments to build a shopping centre focussed on the introduction of the new products. The authorities must: improve the policy, and continue the policy, to make it act as a product bridgehead; improve the street management; and fully appreciate the historical value of the street.

Chung Ying Street is a tax-free zone with tax-free goods. Zhuhai Hengqin has no such advantage. It should not have much impact, and CYS also has to rely on geographical location. Recently there has been an FTA policy, but goods have to add the tax, such as post tax, etc.; these are different systems, we have to wait and see the impact. Hong Kong adopted the individual visitors’ scheme with multi-entry and good support for tour and facilitation for shopping, and this will affect CYS. Lo Wu Chinese customs give RMB5,000 quotas, but the street Customs office only gives three thousand, and we hope get into line with the same quota value. But we also wish to have a multi-entry permit policy applicable to two places extended to CYS; then it would be fair.

Macao is close to Hengqin. This is newly established, with a new shopping city, and it will affect CYS; tourists will not have any sentimental attachment to CYS. If shop operators do not reform CYS with new innovation, it will be marginalized, and a new Ho Tao port (河套關口) (near Lok Ma Chau Loop 落馬洲, Hong Kong) is also planned. CYS China side has many ancient relics. The Hong Kong side has to demolish the illegal buildings, to establish a historic pedestrian street and relax the entry requirements to get more people flow. The Hong Kong side should set up a formal port with a more effective entry administration that allows Hong Kong people to simply use the entry pass; then all the people of Hong Kong can go there for tourism, holiday and leisure, and formalize the procedure. The Hong Kong Security Branch feels it is not secure. Perhaps HK should imitate its Chinese
counterpart by issuing a restricted entry permit, to get income from this administration fee. However, due to the conservative officials being unwilling to bear the responsibility, they always delay the issue. Now the political climate has turned bad, and indecisive, and political and cultural deterioration will slow down the proposed change. However, the members of the district committee will be in full support, even though there may be a political struggle. Most residents support opening the area. If there is a request for a judicial review, residents can challenge the authorities, asking why people are not allowed to visit friends in the same district under the same sovereignty. The government officials only waste useful resources, as CYS can liberate readily available space, under proper control. As HK has now been returned to China, so CYS should not be restricted. As a buffer, CYS has become part of one country and it should be easier to solve the problem.

Direction change is needed, both governments should work together to improve the reputation of CYS. Take action to fight fakes and governance issues, such as fake cigarettes, handbags (packaging), electronic products, and “black” (i.e. illegal) tourist guides promoting fake sales.

For Zhuhai Hengqin (duty free) arrangements, some traders do not know the actual practice and think the new facility will not affect the street. It is quite far away. Each will have its own features and its own business model. While we see the establishment of new free trade areas (FTA), the mainland domestic market is large enough to absorb such models. FTA goods have to pay import and sales taxes. The street mainly has small shops and they do not pay taxes. The impact of online shopping is not large, there are many fakes, and a real physical goods store always has the advantage. Domestic law enforcement is looser and law enforcement to fight fakes is ineffective. The online Internet shop is difficult to control, but if there is no complaint it will be alright. Revenue from Internet shops is not high, so it is difficult to spend much to control them successfully.

Macau/ Zhuhai Hengqin is a new set-up. People should also like Shenzhen. But, because of the Ocean Park in Hengqin, tourist visitors may impact CYS. If the street does not improve and renovate further to increase new attractive locations by creating special characteristic features, it will be marginalized.

Zhuhai Hengqin does not affect CYS, due to geography, distance and different
I have not heard of Zhuhai Hengqin. CYS is a tourist attraction, but daily visitors and tourists sometimes have problems since after shopping they cannot exit. There are no branded name stores for clothing or other specialty goods. Some shops sell expensive items amongst which tourists have found fake goods. The Hong Kong side has illegally built buildings for stores, but there is less smuggling. On the Hong Kong side, as red wine does not attract tax, people need not smuggle duty-free wine. Shenzhen has opened up other ports, such as Lo Wu (羅湖), Lok Ma Chau (落馬洲) and Shenzhen Bay (深圳灣), also Shatoujiao (沙頭角), with a multi-entry permits. People just pass through other ports to go to Hong Kong for shopping. This flow of people has already aggravated the heavy traffic crossing the borders. If CYS increases the flow, it can then reduce the pressure on other port crossings and parallel traders’ problems. China and Hong Kong should set up a joint office for both officials to work together to deal with complaints.

Zhuhai Hengqin should not affect CYS; it is close only to Macau, while as for shops in CYS, on the Hong Kong side many are family-run with lower cost levels. The Chinese side has Army Day and National Day celebrations with national flags hoisted. On the Hong Kong side, regional flags (Rural Committee) are provided, with “big dish” dinner celebrations. Imported goods can be obtained using individual shop operators’ own vehicles to the street; customers may return goods/exchange (only books/magazines). Books also follow the trend, the food cannot change and school holidays influence the business. The District Committee had proposed to set up CYS as a border trading centre, but feels it does not have sufficient transport facilities. Due to one way traffic, traffic jams can last for many hours if accidents happen.

There is competition, but the same policy must be applied. In this area, there may be mutual interaction between opponents for mutual benefit. Hengqin in Zhuhai is geographically not a competitive area, it’s close to Macau. While CYS is close to Hong Kong. There may be little impact on the Ocean Park tourist spot. The most important issue is customs control. The street is mainly for wholesale business, and border trade; it is near Chaozhou and Huizhou, and closer than Hengqin. In Huangpu (a district in Guangzhou, the provincial capital), since the setup of free
trade zone, not too many people from Guangzhou will go to the street any more. The Central Government policy is the main cause of this.

Zhuhai Hengqin, close to Macau, may be a competitor or mutual benefit operator. Geographically it is not a competitor. CYS is close to Hong Kong by land. What is more important is that customs set up a standardized system for the tourists to follow. Shop operators wish to get Central Government policy to support CYS.

Regarding Zhuhai Hengqin, traders know this place is like the CYS, it has its own special style and feature. CYS is a very small place, with only limited historical relics. Its seaside landscape is beautiful, if the authorities are willing to invest in a ferris wheel, then it will be very popular and different from other tourist attractions. For individual convenience, a person is readily available to use other exit ports to Hong Kong and there is no need to cross over to CYS for duty free goods. We hope the Chinese authority allows us to revert to using the transport trolley drays to increase efficiency and reduce costs.

There is no competition for the special nature of the professional service in the street.

I have heard of Zhuhai Hengqin; that is not a problem, because the country is so large; to have more than one or two tourist spots is no problem, each with its own representation; each with its own advantages; there is no problem even if there is a shopping city. Sometimes the CYS customs entry port was out of order, and the officers were too strict. It is difficult to have an effective management control for the port. I hope there are special channels for tourists’ exits and flexible tour groups to pass, and then the CYS image will be better. For cleanliness, fire protection and lighting the Chinese side has more emphasis than the Hong Kong side. The Hong Kong side will not encourage CYS business. The authorities badly handle the Hong Kong shops which do pay taxes and business registration fees. The Hong Kong Government has no positive support. Retailers also look for legitimate business. Because the two regimes’ rules are different, goods such as red wine, which in Hong Kong is tax free, and milk powder are also a problem. There are grey areas when it comes to shipping goods that do not exit the boundary and successful prosecution is doubtful. If there were a business association it could be more convenient to communicate with the authority. Property owners cannot do much if tenants are
Both governments must deal with the problem of selling fakes. For all the offences, the blame is put on the Hong Kong people.

Zhuhai Hengqin is a duty free zone. Lok Ma Chau port also wants to build a big shopping mall. CYS is a historic place; if the supporting facilities improve and with the nearby tourist spot Hu Kau City near Hui Zhou, there is plenty of room for development. Something should be done to properly enliven the street and also take care of the vacant shops on the Chinese side. The Hong Kong Government does not put any resources into CYS. If the entry fee is too strict, customers will change to other crossing ports such as Lo Wu. The Chinese side just leased to Hong Kong companies, the trend is not optimistic. The biggest problem still lies on the Hong Kong side.

Some expressed the view that Zhuhai Hengqin has not been heard of, but I believe it will affect the street’s business. If they publicize it well, it will certainly affect CYS; the new largest ocean park in China will attract tourists. The businessmen should fight against fakes; the Hong Kong side does not enforce the laws strictly. All parties in the street must strengthen mutual cooperation in the crackdown on fakes flooding the market. Cigarettes are more harmful to health. The Chinese side controls the sale of tobacco; the Hong Kong side has no restrictions. 5% sales tax is high for small retailers. Landlords and shop operators have to strengthen publicity for tourist attractions. Now the cargo delivery efficiency is low, due to the banning of pallet delivery trolleys.

Hengqin in Zhuhai absolutely has no impact on CYS. Zhuhai is a tourist city; now with the addition of the Ocean Park, and a more modernized plan it will be a good tourist attraction. The major landlords on the Chinese side should invite reputable big companies as shop tenants so as to avoid fake trading.

One interviewee expressed the view that he is unfamiliar with Hengqin in Zhuhai. The street is a very small place; it is going backwards, and there is no progress. The rule of man overrides the rule of law on the Chinese side. The landlord does not allow the use of carriages and if workers do not obey, their permits are collected and withdrawn at any time. There is a Chamber of Commerce, but many people do not know about it. It was only formed in the past five years; most members are non-CYS shop operators; it does not have influence and power.
CYS should be broadened to cope with the border shopping and act as a border trade city. As the population in the zone is low, about 3-4 thousand people, it will not affect people's livelihood. Thus, other Hong Kong border ports and places will not be affected. The parallel trader problem can also be resolved.

One interviewee stated that Macao Hengqin is well known, but does not know the details. The Chinese people should not be affected. The most important issue is our reputation for selling fakes. In Hong Kong, Sha Tau Kok (Shatoujiao) district there are many under-developed places, and relatively few people. If Sha Tau Kok develops into a border trade and economic zone, then other ports and districts of Hong Kong will not be affected by the parallel-trade nuisance.

Zhuhai Hengqin is well known; with its ocean park there will be a tourism boom. In Hong Kong the whole side is very low key, and the government does not encourage doing business in the street. It should be expanded to make more border trade. As the Hong Kong government does not pay attention, so it is unsuccessful. Now CYS only works for locals who look after their personal interests.

Some businessmen feel that Zhuhai Hengqin attracts consumer groups from Zhongshan County (中山縣); Macau (澳門) also has Gongbei District (拱北區), which is tax-free, but this does not affect the street. Each has different features and the threat will not affect CYS. The most important issue is the reputation problem; CYS mainly serves parallel trade and wholesale business. Facilities are inadequate and if there is no policy support then there must be sufficient publicity. There are recent complaints of fakes in Hong Kong shops and there are a lot of warning boards about fake products posted along the street by the Street Control Authority. The Chinese border has two major landlords who are uncoordinated, affecting the overall business of CYS. It is an historical street, but if there is no conservation policy, it will be forgotten. More negative news will make the street fail to survive.

Chung Ying Street is unique. Other tourist spots should not affect the street; each has its own strengths, weaknesses and characteristics. If CYS has better governance and a good reputation it should be more successful. The main issue is to get rid of the bad reputation for selling counterfeits. To better manage Zhong Ying Street, tourists and other passengers should be diverted to different channels. It can have a buffer zone. Hand-carried goods will be fine if allowed once a day. Transportation is
also a problem. Management should be in good hands.

Shop operators have heard of Zhuhai Hengqin where the facilities and planning should be relatively new. There is also tax-free shopping in that area. Tourists could go there for shopping on their way to Macau. The largest ocean theme park in the South of China is an additional advantage. If CYS is not going to have good conservation and promotion of its advantages, it will certainly reduce its attraction.

Table 4.33: Implication of the findings from answers to Question 10

<table>
<thead>
<tr>
<th>Category</th>
<th>Overall views</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic</td>
<td></td>
</tr>
<tr>
<td>Community leader HHYR</td>
<td></td>
</tr>
<tr>
<td>Manager</td>
<td></td>
</tr>
<tr>
<td>Official</td>
<td></td>
</tr>
<tr>
<td>Professional worker</td>
<td></td>
</tr>
<tr>
<td>Occupation</td>
<td></td>
</tr>
<tr>
<td>Year of establishment</td>
<td></td>
</tr>
<tr>
<td>Business Type</td>
<td></td>
</tr>
<tr>
<td>Themes</td>
<td></td>
</tr>
<tr>
<td>New good policy and gov't support important</td>
<td></td>
</tr>
<tr>
<td>HK side wish to get positive support from gov't</td>
<td></td>
</tr>
<tr>
<td>More facilities needed</td>
<td></td>
</tr>
<tr>
<td>Hengqin may be a threat</td>
<td></td>
</tr>
<tr>
<td>CYS has its own strength</td>
<td></td>
</tr>
</tbody>
</table>

Interpretation of the findings:
The last question sums up the overall views of the actors who have worked under the different variables, namely, the rule-in-use, action arena, resources characteristics, outcomes of activity, attributes of a community and the pattern of interaction. The theme was to have a free discussion and dig out any opinions the interviewees might creatively give without any pre-set questions. Most actors would like to have new effective government policy and support. The shop operators on the Hong Kong side strongly wish to obtain government support. Some felt Hengqin in Zhuhai may be a new threat to CYS, others (100% of the community leaders and government officials on both sides) have full confidence, some (over 60% retail, wholesale and retail business) thought that the street still has its own strength to maintain success.
4.5 Summary

There have been few research studies using institutional theory in China. The phenomenon of Chung Ying Street provides a unique model for the researcher to test the application of the Western institutional theory. Different institutional theories were discussed in Chapter 2, with the conclusion that Institutional Analysis and Development (IAD) derived by Elinor Ostrom (2008) would be the model best suited to the study of CYS.

The three principal spheres, namely, the exogenous variables, action arena and outcomes can be applied to the study of the CYS, using this framework. Most of the variables were identified from individual personal in-depth interviews. The themes are found from the answers relating to the drivers in the IAD, clearly how and why Chung Ying Street operates as it does. There is a strong influence of government authority and policy implementation. Some participants are still not clearly aware of the new development, modernization and policy trend of the Chinese Central Government.
CHAPTER FIVE: CONCLUSIONS AND IMPLICATIONS

5.0 Introduction

This chapter explores and discusses the findings revealed in Chapter 4 and draws conclusions from the findings. It also examines the potential impacts of these findings, the imitations of this study and implications for future research. This research has adopted qualitative individual interviews in order to draw rich, deep descriptions of the evolution of Chung Ying Street from respondents. The research used the IAD (Institutional Analysis and Development) model developed by Elinor Ostrom in an attempt to achieve a clear understanding of the drivers of the success of the “One Street Two Systems” - Chung Ying Street. The essence of this was a systematic search for the unknown and the undiscovered, both before and during the research process (Fang, Zhao & Worm, 2008; Salanova & Schaufeli, 2008).

The focus of the research was the application of institutional theory to an examination of a commercial street which is under Chinese government rule, but uses the Western free enterprise system. The drivers that contribute to the success of the street business were examined. This research also applied the concept of triangulation. Demographic analysis highlighting the mission and vision of each actor’s background and his/her individual interviews (primary data) provided valuable data for the research study (Corti & Thompson, 2004; Lee & Fielding, 2004). This research identifies, using the Western institutional theory, that the Chinese Communist Party regime choosing to use the capitalist free enterprise model is the main driver of the success of the Chung Ying Street.

The following conclusions and implications are based on the previous chapters of this dissertation.

5.1 Conclusion of research findings

The research aimed to explore and understand the rationale of the Chinese government in becoming involved in complex relationships and deciding to use a free-market model in a socialist regime. To do this, the author drew on institutional theory and the socially constructed rationale of reality (Gephart et al., 1995). This
research can be described as interpretive (Maanen, 1979) as it explores a real and unique set of circumstances to interpret and explain the situation under investigation (Denzin & Lincoln, 1998). The interpretive qualitative paradigm aims to provide important insights into a set of circumstances without prior judgment (Carson et al., 1998).

As the “One Street Two Systems” involves Oriental and Western cultures and political systems, any understanding of such a framework is expected to help explain the institutionalization process. An institution can be considered to be a structure or mechanism of social order governing the behaviour of a set of individuals within a given community; the elements of an institution may be humans and interactions.

Institutional theory involves more resilient and deeper aspects of social structure. It focuses on the processes by which structures, rules, schemes, routines and norms are formulated, and then converts them to authoritative guidelines for social behaviour (Scott, 2004).

This research applied the Institutional Analysis and Development (IAD) framework to an analysis of Chung Ying Street (CYS). The street provided the action arena and the rules-in-use for deriving the business results of the street, the exogenous variables. Within this enclosed special zone of CYS, the actors’ (villagers, government officials, customers, tenants, landlords and business operators) actions, reactions and feedback facilitated the process of institutionalisation.

The findings are summarized and illustrated in Figure 5-1 and Table 5.1-5.3.
Figure 5-1: The Institutional Analysis and Development Framework (IAD) for Chung Ying Street

Source: Adapted from Ostrom (2009, p. 829)

Tables for research findings of the Chung Ying Street interviews:

Table 5.1: Exogenous Variables

<table>
<thead>
<tr>
<th>Exogenous Variables</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical/materials conditions</td>
<td>Chung Ying Street is located at the border of China mainland and Hong Kong</td>
</tr>
<tr>
<td>Attributes of community</td>
<td>There is a Street Authority (newly established) on the Chinese side. It is responsible for renovating buildings, regulating trade practices and adding more leisure areas and shopping malls so that small businesses can make this historic street more suitable for selling goods with Hong Kong features and attracting more tourist interest, while doing some border trade business. Many historical relics and temples are also located along the street.</td>
</tr>
<tr>
<td>Rules-in-use</td>
<td>Chung Ying Street is a tax-free zone with tax-free goods. Complex management control exists in this street. Most shop operators are law-abiding, with</td>
</tr>
</tbody>
</table>
only a small number indulging in offences like smuggling and selling fake products. There are parallel traders there, because the price difference between inside and outside of CYS in the mainland is large.

Table 5.2: Action Arena

<table>
<thead>
<tr>
<th>Action Arena</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action situations</td>
<td>CYS is a narrow street and overcrowding is a characteristic feature of the street. The Chinese side levies sales tax and the administration is more complex than on the Hong Kong side, where it is relatively simple. Also, it is obliged to pay monthly tax, labour tax, labour insurance, security, provident fund and accommodation requirements etc., all of which add to the costs. Important issues include the transportation network, increasing the spot points, more parking spaces, extending the switching time, longer visas, or multiple entry and exit visas, increase of the limit for duty-free goods purchases to RMB 5,000 (now only RMB 3,000) and customs-free amounts in line with other ports such as Lo Wu.</td>
</tr>
<tr>
<td>Actors</td>
<td>Chung Ying Street Authority (local government sector), landlord, shop tenants and villagers.</td>
</tr>
</tbody>
</table>
Table 5.3: Outcomes

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patterns of interaction</td>
<td>Hong Kong side tenants recommend that the landlords demolish the decorative frame. Most Hong Kong shop operators wish the government would delegate authority to the District Committee to effectively manage the street.</td>
</tr>
<tr>
<td>Evaluative Criteria</td>
<td>The income of shops</td>
</tr>
<tr>
<td></td>
<td>The number of shoppers</td>
</tr>
<tr>
<td></td>
<td>Conflicts among landlords, shop tenants, shoppers, villagers and the Chung Ying Street authority</td>
</tr>
<tr>
<td>Outcomes</td>
<td>Chung Ying Street is a success. When the shops introduce a new brand, it is relatively easy for it to reach the mainland people. It may be good to use CYS as the test area for new products and brands as there is no requirement for quarantine. People have confidence in imported and domestically produced goods from Hong Kong, especially products like baby supplies. Mainland Chinese consumers are especially confident about Hong Kong-made or imported products. CYS traders experience the success of free trade, since the two systems work together. But now more Free Trade Areas (FTAs 自貿區) have been established with a growing volume of trade, and that may influence CYS. Perhaps it has been a success and it used to be brilliant because earlier it was the only place where one could buy gold in the whole country. Whether it will continue to be successful in the future is difficult to know as there are too many variables.</td>
</tr>
</tbody>
</table>
The research outcomes indicate that the IAD framework in particular and institutional theory in general, are useful for examining the institutional structure of Chung Ying Street in the People’s Republic of China.

5.2 Implications of the research findings

Deng Xiaoping’s idea to give Hong Kong a Western style system was an ‘experiment and learning designed to find a distinctively Chinese and socialist path….rather than accepting the idea of a massive once-for-all economic and political transformation into the Western model of a liberal market system’ (Child, 1994, p. 287). The “One Street Two Systems” that led to the “One Country Two Systems” under the Sino British agreement for the handing over of Hong Kong to Chinese sovereignty was an experiment, arguably based on Chung Ying Street.

Throughout the preceding chapters, institution theory has been argued as a useful tool with which to analyse the complicated institution that Chung Ying Street is. The analysis in Chapter 4 clearly indicates that the “One Street Two Systems” has been a success.

5.3 Research issues and contributions

This research explores the rationale for the use of the Western free market business system in a socialist country, and offers explanations as to why retail and wholesale operations in this street have been so successful. This research shows how the PRC allowed capitalistic-type business practices in this specific street. This may enable Westerners to understand how the reformed communist leaders’ mindsets and business practices were anticipated by investors in modern China. It may also explain why the near laissez-faire economy of Hong Kong is so successful if as is alleged, the concept of ”One Country Two Systems” was based on “one street – two systems”.

5.4 Limitations and recommendations

There are always some limitations in any research work. This research study, like any other, has limitations in terms of both methodology and the range. The research scope has focused on individual interviews within a single special zone. The number of
interviewees may not represent the opinions of all the actors in the special zone. There may also be accidental misinterpretations of the interviewees’ answers and errors in the process of translation. Further the interviewees may not have disclosed fully or honestly what they knew when answering the questions.

Even though the IAD framework is considered to be more complete than North’s proposed concept of the underlying variables of institutional development, it has its own deficiencies. It does not provide the essential ontological foundations for defining the reasons for the preliminary conditions around attributes of community, rules-in-use and physical/material conditions, nor does it explain why they are different from community to community. However, as pointed out in Chapter 2, this is not an issue for this research as it was not designed to examine the ontological foundations.

5.5 Further research directions

China is not homogenous. Cities like Shanghai and Zhuhai (a special economic zone) have been modernised and have more free trade districts built within their respective territories. No doubt more new and modernised free trade zones will adversely impact the position of Chung Ying Street as a border free trade zone. The structure and planning of free trade zones offer much better facilities than a century old street which, without the protection of a favourable government policy, may find it difficult to survive in the long term. Therefore, an examination of Free Trade Zones in one country, or on the border between two countries, may be viewed as promising directions for research in the future. Such research could involve consider the need for a free trade zone, and how to operate such a free trade zone effectively and efficiently.

5.6 Summary

The objective of this research was to provide insights into the working and institutionalisation of Chung Ying Street at the border between Hong Kong and Shenzhen, which represents a rather unique phenomenon where two different economic systems are operating under the same political regime.
The research was conducted in Shatoujiao (also known as Sha Tau Kok in Cantonese), Shenzhen, on the border between Hong Kong and China. The 250 metres long Chung Ying Street is divided by eight stones that serve as the boundary between Hong Kong and Shenzhen. Before 1st July, 1997, one side of the street was controlled by the Communist Party government of China, while the other side was under the rule of the British government, and yet the whole street followed Hong Kong’s Western business model. The street was recognised as a “treasury street” as it was viewed as a loophole of sorts in an otherwise curtained country. This empirical qualitative study sought to find answers to the following questions using a qualitative case study methodology:

1. How does institution theory explain the phenomenon of the Chung Ying Street, Shenzhen, China?

2. How do interactions proceed between people (actors) in the street, who are named as villagers, shop managers, community leaders and government officials? What are the differences between and similarities of those interactions, that is, the economic activities under the Communist and the Capitalist governments of mainland China and the Hong Kong Special Administrative Region, which was a member of the Commonwealth of Nations?

3. Which variables from the Institutional Analysis and Development framework are most important in explaining the success of Chung Ying Street?

In relation to the first research question, the main streams of institutional theories were explored. The researcher found Elinor Ostrom’s (2008) Institutional Analysis and Development (IAD) framework to be the most suitable theory to analyse the phenomenon of the Chung Ying Street.

For Question 2, this research finds that the actors have different attitudes and perceptions regarding the reasons for the overall economic success of the street. The differences between two political regimes were also analysed and summarised for easy reference and interpretation.
The answer to the third question, as revealed by this research, suggests that the Western capitalist business model adopted within a closed economy of a curtained country for decades is the key to the success of the street.

List of References


Gittings, J (1967). *The role of the Chinese army*, issued under the auspices of the Royal Institute of International Affairs by Oxford UP.


OakersonLim, P. (2002). *Discovering Hong Hong's cultural heritage.* Central, Hong Kong: Oxford University Press.


APPENDIX A: 250 METRES LONG STREET (CHUNG YING STREET) WITH 3 PHASES FOR THE NEW SHOPPING COMPLEX
APPENDIX B: CHUNG YING STREET IN THE 1990S

中英街记忆
九十年代中英街
APPENDIX C: THE MAIN GUIDING QUESTIONS FOR THE EXPLORATION OF THE STUDY

i. How do the shop operators know the place? Who introduced the operational rules to their businesses?

ii. What major problems did the participants perceive when deciding to do business in the communist controlled street?

iii. How did the entrepreneurs prepare to settle the problems in (i)? How difficult is it to resolve the problems?

iv. What support has the local government provided to their businesses? Any extra costs involved in paying the agents to help get government clearances in China or Hong Kong and to solve the problems?

v. What are the original business development plans and promises provided by the street owners? How well have the owner’s commitments been fulfilled?

vi. How the business operators in the street maintain co-operation between two governments? How the shop operators comply with two types of rules? Which system do they prefer and why?

vii. How good are the facilities and location provided for their businesses?

viii. How the entrepreneurs evaluate the business success under the “one street two systems” concept in Chung Ying Street?

ix. What improvement they would recommend to the street owner?

x. Open session for your questions.

(The above questions will be translated into Chinese for the interview)
APPENDIX D: INVITATION LETTER SENT TO THE SHOPS/ORGANISATIONS ON THE STREET

Newcastle Business School
Faculty of Business and Law
Social Sciences Building
University Drive Callaghan
NSW 2308
AUSTRALIA

For further information:
Supervisors: Dr. Anthony Drew
Tel: +61-2-4921 2099
Fax:+61-2-4921 7398
Email: Antony.Drew@newcastle.edu.au

Mr./Ms. XXX  (Participants’ name/ organisation)                           Date:
The Company

Dear Sir/Madam,

Request for Consent for Conducting Interview with Chung Ying Street Shop Owners’ Senior Executives/ Community Members / Government Official

Document Version 1.1; dated 18/12/2014

Please be informed that the undersigned (hereafter called “the researcher”) is a student pursuing the Doctor of Business Administration (DBA) as offered by the University of Newcastle, Australia in collaboration with the Hong Kong Management Association (HKMA). At present, he has reached the final stage of the course for the preparation of his dissertation.

The researcher is interested in exploring the success of the business model of the Chung Ying Street, he has named his DBA dissertation title as “One Street Two Systems - Chung Ying Street: an Institutional Theoretical Analysis of the Drivers of Success”. The purpose of this research study is to explore and understand the elements that bring to the success of the business in the Chung Ying Street where it adopted a Western capitalist business model within a curtain country in the past decades. A copy of the Ethical Approval from the University of Newcastle’s Human Research Ethics Committee for conducting this research is enclosed at Annex A for your easy reference.

For this aspect, in-depth face to face interviews with participants who have the decision making authority for setting up business in Chung Ying Street are needed for collecting primary data and information from them.
In this connection, your consent is sought for approaching the potential participants to conduct an in-depth interview with them individually.

Yours sincerely,

Dr. Kwai Yuen, Terence Ma
Student Number: C3135858
個人會面

中英街 号

店長啟

紐卡斯爾商學院
商業及法律學院
紐卡斯爾大學
欲了解更多信息:
項目監察員安東尼德魯博士

Tel: +61-2-4921 2099
Fax:+61-2-4921 7398
電郵:
tony.Drew@newcastle.edu.au

日期:

親愛的店長先生/女士:

懇請同意接受與中英街店主高管或社區委員或政府官員的會面

文件版本1.1; 2014年12月8日

敬請專注，以下簽署者(以下簡稱“研究者”)是一個學生在完成工商管理博士（DBA）的課程，此學位為澳大利亞紐卡斯爾大學與香港管理專業協會（HKMA）合作提供的。目前，他已經達到了課程最後階段，準備他最後的論文。

研究者有興趣探索中英街的商業模式的成功，他已題名他的DBA學位論文的標題為“一街兩制-中英街：成功的驅動因素是制度的理論分析”。這項研究的目的是探索和理解什麼元素帶來中英街地方業務的成功，在過去幾十年來這街道在鐵幕的國家內採取了西方資本主義的商業模式。同函附上來自紐卡斯爾的人類研究倫理委員會的倫理學批准進行這項研究的副本(附件A)方便給您參考。

對於這方面，進行深入的面對面訪談，參與需要從在中英街誰擁有設立企業的決策權的人那裏收集原始數據和信息。
在這方面，尋求您同意以便與潛在參與者進行單獨深入採訪。

此致

馬桂園博士
學院編號C3135858
APPENDIX E: PRINCIPAL TENANT’S LETTER

Newcastle Business School
Faculty of Business and Law
Social Sciences Building
University Drive Callaghan
NSW 2308, AUSTRALIA

Principal Tenant of Chung Ying Street
Detail Address

For further information:
Chief Investigator: Dr Antony Drew
Tel: +61-2-4921 2099
Fax: +61-2-4921 7398
Email: Antony.Drew@newcastle.edu.au

Date:

Dear Sir/Madam,

Request for Consent for Conducting Interviews with Chung Ying Street Shop Owners, Rural Committee Members and Government Officials

Document Version 1.1; dated 12/1/2015

I am writing to you as the Principal Tenant of Chung Ying Street to request your consent and assistance in conducting a research project on Chung Ying Street. Please be informed that the undersigned (hereafter called “the researcher”) is a student pursuing a Doctor of Business Administration (DBA) at the University of Newcastle, Australia in collaboration with the Hong Kong Management Association (HKMA). At present, he has reached the final stage of the program and is preparing his dissertation.

The researcher is interested in exploring the success of the business model of the Chung Ying Street. The title of his DBA dissertation title is ‘One Street Two Systems - Chung Ying Street: an Institutional Theoretical Analysis of the Drivers of Success’. The purpose of this research is to explore the elements that brought success to businesses in the Chung Ying Street in which a Western capitalist business model was adopted within a communist country. It also helps to explain how the concept is being adapted to the “One Country Two Systems” policy for the administration of the Hong Kong under the Sino-British Joint Declaration in 1984.

The researcher needs to conduct confidential in-depth face to face interviews with participants who have the decision making authority for setting up business in Chung Ying Street in order to collect information from them that may then be analysed to better understand the success of Chung Ying Street.
In order to gather the required information, your assistance is sought in approaching potential participants on behalf of the researcher to provide them with an Information Statement for the research which explains the research project and what is required of them, should they wish to participate.

Yours sincerely,

Dr Kwai Yuen, Terence Ma
Student Number: C3135858
APPENDIX F: INTRODUCTION LETTER AND INFORMATION STATEMENT SENT TO INTERVIEW PARTICIPANTS

Newcastle Business School
Faculty of Business and Law
Social Sciences Building
University Drive Callaghan
NSW 2308, AUSTRALIA

Participants’ organisation
Detail Address

For further information:
Chief Investigator: Dr Antony Drew
Tel: +61-2-4921 2099
Fax: +61-2-4921 7398
Email: Antony.Drew@newcastle.edu.au

Date:

Dear Madam/Sir,

Information Statement for the Research Project:
One Street Two Systems - Chung Ying Street: An Institutional Theoretical Analysis of the Drivers of Success
Document Version 1.1; dated 12/1/2015

You are cordially invited to participate in a study that is being conducted by Dr Kwai Yuen Terence, Ma under the guidance of Dr Antony Drew from the Newcastle Business School. Dr Ma is conducting this research project as part of his doctorate study for Doctor of Business Administration (DBA). Dr Anthony Drew is his Project Supervisor.

Why is the research being done?
This study explores the elements that brought success to businesses in the Chung Ying Street in which a Western capitalist business model was adopted within a communist country. It also helps to explain how the concept is being adapted to the “One Country Two Systems” policy for the administration of the Hong Kong under the Sino-British Joint Declaration in 1984.

Who can participate in the research?
Business operators, senior government officials and rural committee member who are actively involved in business operations or administration in Chung Ying Street may participate in this research.
What choice do you have?

Participation in this research is entirely voluntary. Your decision to participate, or not to participate, will have no adverse effect on you and no one will know whether you have participated or not. If you do decide to participate, you may withdraw from the study at any time without giving any reasons.

What would you be asked to do?

Once you have read and understood this Information Statement and agree to participate, you need to inform the student researcher by signing the attached consent form and sending it to him by email with a contact phone number. Dr Ma will then contact you to arrange a date and time in your office for the individual interview. Prior to the interview a copy of the broad questions will be sent to you for your information. During the interview, you are asked to give your understanding / opinions in response to the relevant questions. The interview will be conducted in either Cantonese or Mandarin. Again your consent is needed for the audio recording of the interview. You can withdraw at any time during the interview without giving a reason. You will have an opportunity to review and edit the interview transcription.

How much time will it take?

If you choose to participate, it should take you approximately one hour to participate in an in-depth interview.

What are the risks and benefits of participating?

There are neither risks nor direct benefits for any individual participant. However, the findings and conclusions may help to explain how Chairman Deng’s concept or idea of ‘One Country Two Systems’ originated and developed from the ‘Chung Ying Street – One Street Two Systems’ concept. This is the foundation for the People’s Republic of China’s negotiation with the British to use the one country (P.R.C.) with two systems — politically use the P.R.C. system; and the British legal, economic and social system for 50 years. This is the main principle contain in the Hong Kong Basic Law.

How will your privacy be protected?

Any information collected by the researchers which might identify you will be stored securely and only accessed by the researchers unless you consent otherwise, except as required by law.

How will the information collected be used?

The findings will form part of the dissertation to be submitted by Dr Ma for his DBA degree. The findings may also be published in scholarly journals but you will neither be named nor be able to be identified in either case. At the conclusion of your interview, Dr Ma will ask you if you would like a summary of the results of the research. If you would like a summary of the results, you will be required to give Dr Ma your email address for future correspondence.
What do you need to do to participate?

Please read this Information Statement and be sure you understand its contents before you consent to participate. Please phone Dr Ma on 852-93822345 or email him at c3135858@uon.edu.au should you wish participate and Dr Ma will arrange a convenience time to interview you. You will also be required to give Dr Ma a signed copy of the Consent Form prior to the interview taking place.

Further information

Should you need any further information, please feel free to contact Dr. Ma by phone (852) 9382 2345 or email c3135858@uon.edu.au or Dr Drew Antony.Drew@newcastle.edu.au. Thank you for taking the time to consider this invitation.

Yours sincerely,

Dr. Antony Drew, Chief Investigator
Student Researcher
Newcastle School of Business
Faculty of Business and Law
University of Newcastle

Dr. Terence Kwai Yuen Ma,
Newcastle School of Business
Faculty of Business and Law
University of Newcastle

This project has been approved by the University of Newcastle’s Human Research Ethics Committee, Approval No. H-2014-0378.
The University requires that should you have concerns about your rights as a participant in this research, or you have a complaint about the manner in which the research is conducted, it may be given to the researcher, or, if an independent person is preferred, to the Local DBA Secretariat, The Hong Kong Management Association, 16/F Tower B, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong, telephone (852) 2774-8513, or email to unc.dba@hkma.org.hk.
個人會面

紐卡斯爾商學院
商業及法律學院
紐卡斯爾大學
欲了解更多信息:
項目監察員安東尼德魯博士

Tel: +61-2-4921 2099
Fax:+61-2-4921 7398
電郵:
tony.Drew@newcastle.edu.au

日期:

親愛的[ ]先生/太太

研究項目信息聲明:

探索“一街兩制”- 中英街: 成功的驅動因素是制度的理論分析
文件版本1.1; 2015年1月12日

你被邀請參加，由澳大利亞紐卡斯爾大學紐卡斯爾商學院的安東尼德魯博士和馬桂園博士進行的研究項目。這項研究，由馬桂園博士進行，作為他的商業行政學博士研究項目，而安東尼德魯博士是馬桂園博士的研究導師。

為什麼要做這個研究?

這項研究的目的是探討中英街商業成功的元素，是基於該地點雖處於鐵幕國家欲是採用了西方資本主義的商業模式。研究結果幫助解讀此概念如何應用在1984年中英聯合聲明中對香港採用的“一國兩制”政策。

誰可以參與研究?

若果你是街道的店長、社區委員或政府官員，便有資格參與這次研究。

你能有的選擇？
參與這項研究完全是你個人的自願選擇。無論你是否決定參加，你的決定將不會對你有不利的影響。同時也沒有其他人士知道你參與此研究。如果你決定參加，你仍可在任何時候無需任何理由退出這項研究，包括最終面談紀錄確定後仍可退出。

你將要做的事情？

當你看完及明白這項聲明及決定參與這項研究，請通告研究者之後你會被要求簽署一份面談同意書,同時馬博士會安排方便你的時間及日期到你的辦事處進行個人面談。在面談前會發送一份有關討論的問題給你，面談將會用粵語或普通話進行。並在面談前徵詢你的同意，才進行錄音。在面談過程中，請用你的理解及意見作答關於這項研究的問題;你仍可在任何時候退出這項研究而無需給予任何理由。當面談錄音被轉錄成文字後，這份文字轉錄將會送給你作為確認或按你的需要作出修改。

需要多少時間？

取決於流程是否順暢，整個面談大約需要一個小時。

利益和風險？

這項研究對參與者的並無潛在風險也沒直接的得益，但對這一研究結果可能對闡釋中國前軍委主席鄧小平以中英街的"一街兩制"演變及發展為"一國兩制"的概念及意見有幫助。這基礎是在中國與英國商議用一國(中國)附上兩制 - 即用中國政制;同時在法則、經濟及社福制度則用英國(西方)模式50年。這便是香港基本法內容的主點。

您的隱私如何受到保護？

參與者均會是匿名參予。參加者和他們的組織的名稱將不能被識別。所有文字轉錄將被保存在有安全密碼保護的電腦機內及只供研究員馬博士及安東尼博士進入。所有其他的數據和材料將保存在一個鎖櫃內。匿名的數據和資料在論文完成後將保留5年再銷毀。參予者也受香港私隱法保障。

所收集的信息將如何使用？

研究結果將作為馬博士論文的一部分，隨後並可能會在學術刊物上發表。無論任何文中也不會提及及辨認到參與者的名稱。會面完結後馬博士會詢問你若取得此研究結果的總結，若你喜歡這結果總結，你將需把你的電郵地址交給馬博士以作日後通訊用。

你需要做甚麼來參與？
請仔細閱讀本資料聲明，你同意參加前一定要先了解它的內容。如果你願意參加，請填写附上的同意書後，致電 (852) 9382 2345 或電郵給c3135858@uon.edu.au。若你希望參加，馬博士將與你聯繫，安排一個方便你的個人面談。在面談前，你將需要交給馬博士你簽署的同意書。

進一步的信息

如果有什麼你不明白，或有任何疑問，你可以聯繫研究員。如果您想了解進一步信息，請至電聯繫馬博士 (852) 9382-2345，或通過電子郵件c3135858@uon.edu.au。或電郵Antony.Drew@newcastle.edu.au。感謝您考慮這項研究的面談邀請。

安東尼德魯博士 項目主管
Newcastle School of Business
Faculty of Business and Law
University of Newcastle

馬桂園博士 研究生
Newcastle School of Business
Faculty of Business and Law
University of Newcastle

有關本研究的投訴 這研究項目已獲大學人類研究道德委員會的批准，編號H-2014-0378。如果你對作為本研究參與者的權利有任何疑問，或你對這研究的進行方式有任何投訴，你可以直接聯絡本項目研究員。如參加者寧可給一個獨立的人士，可聯絡人類研究道德主任，大學校長處，紐卡斯爾大學，卡拉咸新南威爾斯省2308，澳大利亞電話 (02) 49216333 電郵Human-Ethics@newcastle.edu.au
APPENDIX G: PARTICIPANTS’ CONSENT FORM

Newcastle Business School
Faculty of Business and Law
Social Sciences Building
University Drive Callaghan
NSW 2308, AUSTRALIA

Participants’ organisation
Detail Address

For further information:
Chief Investigator: Dr Antony Drew
Tel: +61-2-4921 2099
Fax: +61-2-4921 7398
Email: Antony.Drew@newcastle.edu.au

Student Researcher: Dr Terence Ma
Room 1902 Yu Shing Commercial Building
15, Queen Victoria Street, Central, Hong Kong
Tel: (852) 9382 2345
Email: c3135858@uon.edu.au

Date:

Dear Dr. Terence Ma,

Written Consent for Voluntary Participation to Support Research on
An Exploration on the “One Street Two Systems - Chung Ying
Street: an Institutional Theoretical Analysis of the Drivers of Success”

Document Version 1.1; dated 12/1/2015

I, ________________________________, have read the information
statement on the research project ‘One Street Two Systems - Chung Ying Street: an
Institutional Theoretical Analysis of the Drivers of Success’ by Dr. Terence Kwai
Yuen, Ma from the University of Newcastle, Australia and all of my queries have
been answered satisfactorily.

I hereby give my consent freely and I understand that the project will be conducted in
accordance with the Information Statement, a copy of which I have retained. I also
agree to have my interview tape recorded. I understand I can review the written
transcript and edit the record and will provide the researchers with an address to
which the transcript may be forwarded.

I understand that I may withdraw my participation at any time, without reason and
without any adverse effect on me.

I understand that all the information collected will remain confidential to the Chief
Investigator and the Student Researcher, all the information gathered from the survey
will be analysed and stored securely and the data will be destroyed five years after completion of the DBA dissertation project by the Student Researcher. I also understand that my identity will not be revealed without consent to anyone other than the Chief Investigator and the Student Researcher conducting the project.

Print Name: _________________________________
Signature: _________________________________
Date: _________________________________
個人會面 - 同意書

紐卡斯爾商學院
商業及法律學院
紐卡斯爾大學
欲了解更多信息:
項目監察員安東尼德魯博士
Tel: +61-2-4921 2099
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馬桂園博士
香港中環域多利皇后街15號
裕成商業大廈19樓1902室
電話: 852-9382 2345
郵訊地址: c3135858@uon.edu.au

親愛的 馬桂園博士:

研究項目同意書
探索 “一街兩制”- 中英街: 成功的驅動因素是制度的理論分析
馬桂園博士
文檔版本1.1, 1月12日2015年

我__________________________已閱讀有關由馬桂園博士為澳大利亞紐卡斯爾大學作研究的 “一街兩制”- 中英街: 用制度理論分析原動力的成功的項目信息聲明, 並滿意我提出相關問題的回覆。

我在此自願同意參與這次面談及明瞭此項目的研究將會依照研究項目信息聲明書所提情況進行, 並接受進行即場錄音; 而且已保留該聲明書的副本。我也明白，我可以查看和編輯自己的訪談文字錄; 並會給予研究員我的地址以便送出有關的謄本。

我明白我可以在任何時候退出該項目，並無需給予任何理由，包括在確認及交回我的訪談文字紀錄後; 退出也不會對我有任何損害。
根據我所知，除研究人員外，所有收集的資料將被保密。面談所得資料將被分析及妥善保管，在研究者完成項目研究的論文後五年，全部資料便會被銷毀。除此項目研究人員外，在研究報告中我身份是被匿名引用，除非得到我的同意，否則不會對任何人公開我的身份。

姓名：_______________________________________________________________

簽名：________________________________ 日期：________________________

當我們收到您的簽名同意書後，馬博士將會與您聯絡，安排在方便你的時間到你辦事處進行個人面談。
APPENDIX H: RESEARCH INTERVIEW PROTOCOL

Interview Protocol

Interview Schedule and Guiding Interview Questions

Date of Interview: _______________ Time: ______________________

Company Name: _________________ Designated Interviewee number:__________

Position and Title of Interviewee: ____________________ Gender: M / F

Company Status before setting up shop in Chung Ying Street: Established in _________________for _____years

Interviewee, Years of Service in the Company: ____________

Nationality of Interviewee:______Language used for interview: Cantonese / Mandarin

Means of Interview: Face-to-face / Telephone Interview Location: ______________

Researcheer opening notes:

- Give a brief personal introduction and an overview and purpose of the research study.
- Express appreciation for the interviewee’s participation. Briefly explain the interview process that will follow, approximately the time it will take and what is expected from the participant.
- Recapitulate the voluntary participation condition and the strict confidentiality of the participant’s identity and responses.
- Ask for consent to tape the conversation and to take notes during the interview.
- If there is no further question, turn on the tape-recorders (one main recorder and one backup recorder) and request them to reconfirm the details given above and their willingness to participate voluntarily in the research interview with the understanding of anonymity.
- Use the following guiding interview questions to help moderate the flow of the interview.

Guiding questions:

i. How do the shop operators know the place? Who introduced the operational rules to their business?
ii. What major problems did the participants perceive when deciding to do business in the communist controlled street?

iii. How did the entrepreneurs prepare to settle the problems in (i)?
   How difficult is it to resolve the problems?

iv. What support has the local government provided to their businesses? Any extra costs involved in paying the agents to help get governments in China or Hong Kong to solve the problems?

v. What are the original business development plans and promises provided by the street owners? How well have the owner’s commitments been fulfilled?

vi. How the business operators in the street maintain co-operation between two governments? How the shop operators comply with two types of rules? Which system do they prefer and why?

vii. How good are the facilities and location provided for their business?

viii. How the entrepreneurs evaluate the business success under the “one street two systems” concept in Chung Ying Street?

ix. What improvement they would recommend to the street owner?

x. Open session for your questions.

Researcher closing notes:

- Ask the interviewee if there is anything else he/she would like to add before turning off the tape-recorder.
- Thank the participant again for the voluntary participation and his/her cooperation and support.
- Record the interview finish time and turn off the tape-recorders.
- Outline the next steps in the research process briefly and ask the participant to review the transcription when ready.
- Estimate the timeframe of the availability of the research report and offer a free summary copy of the research findings to the participant if required.

Close the interview politely and leave the interviewee’s shop office / government office.
專訪協議
採訪面談安排和指導面談問題

面談日期：______________ 時間：________________________

公司名稱：______________ 指定受訪號碼：___________

受訪者的位置和職稱：______________ 性別：男 / 女

進駐中英街前的公司現狀：成立於______________ for _____ years

受訪者，服務於本公司年限：___________

受訪者的國籍：_______ 語言用於專訪： 粵語 / 普通話

面談的方式： 面對面 / 電話 面談地點：________________

研究人員開始紀要：

• 給予一個簡單的個人介紹，統述研究性和概述學習目的。
• 迅速的向受訪的參與者表示感謝。先簡單介紹一下面談過程，將遵循大約所需時間並將告知參與者的什麼是預期採取的。
• 重述概括自願參加的條件及參與者的身份和響應性嚴格的保密性。
• 詢問關於同意使用錄音機和接受研究員在談訪時做筆記。
• 如果沒有進一步的問題，打開錄音機（一個主錄音機和一個後備錄音機），並要求他們重新確認上述給出的細節，並表示自願參加此研採訪及理解是完全匿名的進行。
• 使用下列指導面談問題，以幫助緩和面談流程。

指導性問題：
1. 店鋪經營者如何知道這地方呢？誰介紹生意的業務規則？
2. 若決定在共產主義控制的街上做生意，店主發覺有什麼重大問題？
3. 企業家是如何準備解決（2.）的問題？解決有關的問題難度如何？
4. 當地政府提供企業什麼的支持？是否需要支付任何額外費用給予代理商，以幫助各商戶
用政府行為在中國或香港解決問題？
5. 街道業主提供什麼是由原有的業務發展計劃和承諾？街道業主如何履行得到承諾？
6. 經營者在街上怎樣維持兩國政府之間的合作？商戶如何符合兩種類型的規則？他們喜歡哪個系統，為什麼？
7. 該處的設施和地點提供給他們的業務什麼好處？
8. 企業家如何評價中英街的「一街兩制」的概念在商業上的成功？
9. 企業家有什麼改進建議給街道上的業主嗎？
10. 會談的自由提問。

研究員結束會談的紀註：

• 詢問受訪者是否需要補充，他/她想關掉錄音機前添加。
• 再次感謝參與者的自願參與和他/她的合作和支持。
• 記錄面談時間結束，並關閉錄音機。
• 勾劃在研究過程中的下一個簡要步驟，並請參與者準備檢討完成後的文錄。
• 研究報告的可用性的預計時間內，如果有需要可免費提供研究成果概要備份給與參加者。

結束以上採訪，禮貌地離開受訪者的店辦公室/政府辦公處。
### APPENDIX I: TEMPLATE OF INTERVIEW DATA SHEET

**INTERVIEW DATA SHEET**

**A. General Information:**

<table>
<thead>
<tr>
<th>Topic:</th>
<th>One Street Two System</th>
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<tbody>
<tr>
<td>Date:</td>
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<tr>
<td>Time:</td>
<td></td>
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<tr>
<td>Interviewer:</td>
<td></td>
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<tr>
<td>Interviewee:</td>
<td></td>
</tr>
<tr>
<td>Interview Type:</td>
<td></td>
</tr>
</tbody>
</table>

**B. Content of Interview:**

<table>
<thead>
<tr>
<th>Interviewee:</th>
<th>Transcript:</th>
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<tbody>
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APPENDIX J: ETHICAL CLEARANCE APPROVAL

HUMAN RESEARCH
ETHICS
COMMITTEE

Notification of Expedited Approval

To Chief Investigator or Project Supervisor: Doctor Tony Drew
Cc Co-investigators / Research Students: Mr Terence Kwai Yuen Ma
Re Protocol: One Street Two Systems - Chung Ying Street: An Institutional Theoretical Analysis of the Drivers of Success

Date: 14-Jan-2015
Reference No: H-2014-0378
Date of Initial Approval: 14-Jan-2015

Thank you for your Response to Conditional Approval (minor amendments) submission to the Human Research Ethics Committee (HREC) seeking approval in relation to the above protocol.

Your submission was considered under Expedited review by the Ethics Administrator.

I am pleased to advise that the decision on your submission is Approved effective 14-Jan-2015.

In approving this protocol, the Human Research Ethics Committee (HREC) is of the opinion that the project complies with the provisions contained in the National Statement on Ethical Conduct in Human Research, 2007, and the requirements within this University relating to human research.

Approval will remain valid subject to the submission, and satisfactory assessment, of annual progress reports. If the approval of an External HREC has been "noted" the approval period is as determined by that HREC.

The full Committee will be asked to ratify this decision at its next scheduled meeting. A formal Certificate of Approval will be available upon request. Your approval number is HII-2014-0378.

If the research requires the use of an Information Statement, ensure this
number is inserted at the relevant point in the Complaints paragraph prior to distribution to potential participants. You may then proceed with the research.

Conditions of Approval

This approval has been granted subject to you complying with the requirements for Monitoring of Progress, Reporting of Adverse Events, and Variations to the Approved Protocol as detailed below.

PLEASE NOTE:
In the case where the HREC has "noted" the approval of an External HREC, progress reports and reports of adverse events are to be submitted to the External HREC only. In the case of Variations to the approved protocol, or a Renewal of approval, you will apply to the External HREC for approval in the first instance and then Register that approval with the University's HREC.

• Monitoring of Progress

Other than above, the University is obliged to monitor the progress of research projects involving human participants to ensure that they are conducted according to the protocol as approved by the HREC. A progress report is required on an annual basis. Continuation of your HREC approval for this project is conditional upon receipt, and satisfactory assessment, of annual progress reports. You will be advised when a report is due.

• Reporting of Adverse Events

1. It is the responsibility of the person first named on this Approval Advice to report adverse events.
2. Adverse events, however minor, must be recorded by the investigator as observed by the investigator or as volunteered by a participant in the research. Full details are to be documented, whether or not the investigator, or his/her deputies, consider the event to be related to the research substance or procedure.
3. Serious or unforeseen adverse events that occur during the research or within six (6) months of completion of the research, must be reported by the person first named on the Approval Advice to the (HREC) by way of the Adverse Event Report form (via RIMS at https://rims.newcastle.edu.au/login.asp) within 72 hours of the occurrence of the event or the investigator receiving advice of the event.
4. Serious adverse events are defined as:
   - Causing death, life threatening or serious disability.
   - Causing or prolonging hospitalisation.
   - Overdoses, cancers, congenital abnormalities, tissue damage, whether or not they are judged to be caused by the investigational agent or procedure.
Causing psycho-social and/or financial harm. This covers everything from perceived invasion of privacy, breach of confidentiality, or the diminution of social reputation, to the creation of psychological fears and trauma.

Any other event which might affect the continued ethical acceptability of the project.

5. Reports of adverse events must include:
   - Participant's study identification number;
   - date of birth;
   - date of entry into the study;
   - treatment arm (if applicable);
   - date of event;
   - details of event;
   - the investigator's opinion as to whether the event is related to the research procedures; and
   - action taken in response to the event.

6. Adverse events which do not fall within the definition of serious or unexpected, including those reported from other sites involved in the research, are to be reported in detail at the time of the annual progress report to the HREC.

- Variations to approved protocol

If you wish to change, or deviate from, the approved protocol, you will need to submit an Application for Variation to Approved Human Research (via RIMS at https://rims.newcastle.edu.au/login.asp). Variations may include, but are not limited to, changes or additions to investigators, study design, study population, number of participants, methods of recruitment, or participant information/consent documentation. Variations must be approved by the (HREC) before they are implemented except when Registering an approval of a variation from an external HREC which has been designated the lead HREC, in which case you may proceed as soon as you receive an acknowledgement of your Registration.

Linkage of ethics approval to a new Grant

HREC approvals cannot be assigned to a new grant or award (ie those that were not identified on the application for ethics approval) without confirmation of the approval from the Human Research Ethics Officer on behalf of the HREC.
Best wishes for a successful project.

Professor Allyson Holbrook

Chair, Human Research Ethics Committee

For communications and enquiries:

Human Research Ethics Administration

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The Chancellery
The University of Newcastle
Callaghan NSW 2308
T +61 2 492 17894
F +61 2 492 17164