

**Commission on Strategic Development  
Executive Committee**

**Hong Kong's Positioning in the International Community  
and External Affairs**

(Translation)

**Purpose**

This paper briefs Members on Hong Kong's positioning in the international community, its strengths in external affairs and the scope for future development. On this basis, the paper sets out a number of strategic issues for Members' reference and discussion.

**Constitutional Basis for Hong Kong on External Affairs**

2. According to the Basic Law, the Central People's Government shall be responsible for the foreign affairs relating to Hong Kong<sup>1</sup>. For instance, the establishment of foreign consular and other official or semi-official missions in the HKSAR<sup>2</sup> and the access of foreign warships and foreign state aircraft to the HKSAR, shall require the approval or special permission of the Central People's Government<sup>3</sup>. This does not imply that Hong Kong is constrained in its dealings with the international community. On the contrary, Chapter VII of the Basic Law has provided for the constitutional basis of Hong Kong's "external affairs". From the legal perspective, it underlines the importance of our external relations and has expanded our role in the participation in international organisations and in dealing with external affairs.

3. In fact, on the basis of the Basic Law, there is plenty of room for Hong Kong's participation in external affairs. In accordance with the provisions of the Basic Law, the Central People's Government authorises

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<sup>1</sup> Article 13 of the Basic Law.

<sup>2</sup> Article 157 of the Basic Law.

<sup>3</sup> Article 126 and Article 129 of the Basic Law.

the HKSAR to conduct relevant external affairs on its own in accordance with the Basic Law<sup>1</sup>. The HKSAR may on its own, maintain and develop relations and conclude and implement agreements with foreign states and regions and relevant international organisations in the appropriate fields, including the economic, trade, financial and monetary, shipping, communications, tourism, cultural and sports fields<sup>4</sup>.

4. According to the Basic Law, with the assistance or authorisation of the Central People's Government, the Government of the HKSAR may conclude with foreign states bilateral agreements including reciprocal judicial assistance<sup>5</sup>, visa abolition agreements<sup>6</sup>, etc. Acting under specific authorisations from the Central People's Government, the Government of the HKSAR may conclude air service agreements<sup>7</sup>. Under the established mechanism, the Government of the HKSAR has concluded more than 90 such agreements with the authorisation of the Central People's Government since reunification.

5. As regards participation in international organisations, the HKSAR has, as a member of the delegation of the People's Republic of China, participated in more than 20 international organisations the memberships of which are limited to states (such as Food and Agriculture Organisation, International Civil Aviation Organisation, World Health Organisation (WHO) etc.); and has, using the name "Hong Kong, China", participated in more than 190 international organisations the memberships of which are not limited to states (such as Asia-Pacific Economic Co-operation (APEC), World Trade Organisation (WTO) etc.)<sup>8</sup>. All these demonstrate that although it is the Central People's Government who is responsible for the foreign affairs relating to Hong Kong, the provisions of the Basic Law relating to "external affairs" have provided Hong Kong with much authority in this respect. No other cities around the world, including New York and London, not to mention major cities in the Mainland, enjoy such a high degree of freedom in conducting their external affairs.

## **International Positioning and Strengths of Hong Kong**

6. Hong Kong is Asia's world city, a place where East and West

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<sup>4</sup> Article 151 of the Basic Law.

<sup>5</sup> Article 96 of the Basic Law.

<sup>6</sup> Article 155 of the Basic Law.

<sup>7</sup> Article 133 of the Basic Law.

<sup>8</sup> Article 152 of the Basic Law.

meets, and a major business, financial and logistics centre in the world. Hong Kong's strengths are demonstrated in the following aspects:

- (1) The international dimension of Hong Kong is best manifested in its close economic and trade relations with other major world economies, and its core position in international financial services. This is clearly reflected in some of the world rankings. Hong Kong is at present the 11th largest trading entity and the tenth largest exporter of services in the world. We have the second busiest container port in terms of throughput and the busiest airport in terms of international cargoes in the world. We run the sixth largest foreign exchange market and the 14th largest banking centre. Our stock market is the eighth largest in terms of market capitalisation, and ranks fourth in the world and first in Asia in terms of funds raised.
- (2) Since reunification, Hong Kong has been actively participating in international affairs and a number of major international organisations. Statistics show that the Government of the HKSAR participates as a member of the delegation of the People's Republic of China more than one hundred times in international conferences which are limited to states and participates, using the name "Hong Kong, China", in hundreds of inter-governmental conferences (not limited to states) every year. The Chief Executive attends the annual Economic Leaders' Meeting of the Asia Pacific Economic Cooperation (APEC) in which the HKSAR participates as a separate member, and discuss on a par with leaders of the other member economies matters relating to regional economic cooperation. Such situation could have never been imagined before reunification. Furthermore, Hong Kong has been host for various prominent international events, including the United Nations Asia-Pacific Leadership Forum, Sustainable Development for Cities and the Asia Cultural Co-operation Forum. Hong Kong as a separate member also successfully hosted the Sixth Ministerial Conference of the WTO in end-2005. The Conference adopted the "Hong Kong Ministerial Declaration" which was an important step in promoting fair and open trade around the world. The hosting of the Conference has greatly enhanced the positive role

assumed by Hong Kong in international economic and trade affairs.

- (3) Hong Kong is an externally-oriented city. By virtue of this characteristic and years of hard work, we have established an international economic and trade network at the institutional level. The Government has established a number of Economic and Trade Offices (ETOs) overseas. These ETOs are responsible for maintaining liaison with the political and business communities, think-tanks and the media in their host countries, with a view to safeguarding and promoting the economic and trade interests of Hong Kong. They also serve to enhance local understanding of Hong Kong and promote the image of Hong Kong through various channels. Invest Hong Kong has also an overseas network of more than ten representative units at some of these ETOs and in other cities to promote Hong Kong. The Hong Kong Trade Development Council and the Hong Kong Tourism Board have also set up offices or representative offices respectively in major overseas cities. These offices and representative offices provide Hong Kong with an established channel for overseas business and trade dealings, information and cultural exchanges. They also serve as a network through which Hong Kong can continue to showcase its opportunities in the international arena.
- (4) In addition to the efforts made by official and semi-official organisations mentioned above, our voluntary and non-governmental organisations also play an important role in fostering the link between Hong Kong and the international community. As an international business city, Hong Kong is home to a number of foundations, foreign chambers of commerce as well as professional and cultural institutions. On the socio-cultural front, many non-governmental and voluntary organisations maintain liaison and co-operation with their counterparts around the world. Through these networks, Hong Kong can share its experience with the international community, while keeping its socio-cultural concerns and discussions abreast of broader international developments. On the academic front, Hong Kong has even closer interaction with the rest of the world. Various student exchange

programmes organised by tertiary institutions have fostered mutual understanding among the young generation worldwide. Likewise, regional/global researches and conferences at universities often provide a platform for exchanges and co-operation amongst scholars and think-tanks of different countries.

- (5) It is obvious that a city owes its international status not only to its own strengths and efforts, but also to a great extent recognition of other countries towards the city. Hong Kong is also outstanding in this respect. About 3 800 multinational corporations have established regional headquarters or offices in Hong Kong, which is the strongest presence of its kind in the Asia-Pacific region. Moreover, international organisations such as the Bank for International Settlements, the European Union and the International Monetary Fund have also set up offices here. On information flow, quite a number of overseas media also maintain a base here to enjoy freedom of press and the excellent communication infrastructure and networks in Hong Kong. Some of the famous media include Financial Times, International Herald Tribune, New York Times, Newsweek, BusinessWeek, the Associated Press, the United Press International and the Bloomberg LP. On cultural exchanges, Hong Kong has a presence of over a hundred foreign missions as well as a large number of international schools and church groups. On talents, Hong Kong has a large expatriate community working and living in this place. For instance, Hong Kong has the largest population of French citizens in Asia, exceeding that in Japan and Singapore. At the same time, there are many Hong Kong people living in major overseas cities. These two groups of people have definitely helped enhance the understanding of Hong Kong in the international community and raised the international dimension of Hong Kong to a higher level. As a famous Japanese scholar remarked, “not only Hong Kong has linked up its neighbours in Asia through economic and cultural exchanges, but also those burgeoning Chinatowns, which should be called Hong Kong towns instead, are gradually building up a cohesive network among themselves”.<sup>9</sup>

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<sup>9</sup> Hamashita, Takeshi, *The Macro Outlook of Hong Kong: Asia's Network Centre*, Hong Kong Commercial Press, 1997, p.16.

7. In sum, Hong Kong indeed enjoys a prominent status in the international community, and has a specific international identity in international affairs.

## **Opportunities and Challenges for Future Development**

8. With the current changes in global economy and the determination of development strategies of our country, there is ample scope for Hong Kong to reinforce its international status and further expand its role in international affairs.

### Opportunities

9. First, globalisation of economy has changed the phenomenon under which the economic and national boundaries of a country basically overlap with each other. It promotes the rise of cities and regions as focal points of economic development. With the advance of information technology and growth of multinational corporations, the liquidity of funds and the scale of investment and production have well exceeded the national boundaries of countries. Under such circumstances, those cities which connect with the global liquidity network have become management and control centres for regional and global economic development. They have also become “world cities” with economic hinterlands that see no national boundary.

10. The economic restructuring of Hong Kong from the 1980's to 1990's has fuelled the rapid development of the production services and financial services and provided the impetus for Hong Kong to gradually establish itself as a “world city”. Complemented by a cross-boundary production system and the vast opening up of the Mainland, Hong Kong is able to rapidly expand its economic hinterland and transform itself into a financial, trade and logistics hub of the Asia-Pacific region. In the foreseeable future, further economic integration in East Asia will definitely bring up important issues such as the seamless flow of production factors in the East Asian region, the gradual development of a regional “common market”, and the attainment of regional economic co-operation. With its leading position among the regional economies, Hong Kong may play a key role in addressing these issues.

11. Second, another important impact of globalisation of economy is

the emergence of non-traditional security issues. Contrasting to traditional security threats (military, political and diplomatic conflicts), non-traditional security issues mainly include financial security, ecological security, resources security, information security, terrorism, ethnic conflicts, spread of diseases, illegal migration, transnational crimes and money laundering. The main features of these issues are 1) expansive, i.e. both the emergence and resolution of issues are transnational; 2) spontaneous; 3) critical, i.e. prone to trigger social crisis regardless of the nature of the threats; and 4) reciprocal, i.e. traditional security issues may change into non-traditional ones and vice versa.

12. When facing non-traditional security challenges, an effective institution, an efficient administration, and a seamless flow of information and transparency are requisites that may ensure resolution of crisis. As Hong Kong has its own strengths in these areas, coupled with a high standard of professionalism and a well-developed civil society network, we have a vital role to play in the prevention, management and resolution of crisis. In fact, Hong Kong has done exceptionally well in handling the “SARS” attack in 2003 and the recent avian flu incidents. The WHO has tapped our expertise and experience in the preparation for possible outbreak of pandemics over the world. Our experience in handling the Asian financial crisis in 1997 has also provided useful reference for the Mainland and many other countries.

13. Third, the State Council published a white paper entitled *China's Peaceful Development Road* in December 2005, stating that China is committed to achieving a peaceful, open, co-operative and harmonious development, with a view to building a harmonious world of sustained peace and common prosperity. The publication of the white paper signifies China's adoption of a peaceful diplomacy. Some scholars have described the strategy as China's “neo-internationalism”. Its basic elements are co-ordination between national interests, resolving security crises, and pursuit of co-operation and win-win situation.<sup>10</sup> At the diplomatic level, this strategy is realised in the following four aspects: 1) achieving extensive co-operation at all levels among countries in the world; 2) making joint efforts at regional level – actively promoting the formation of regional communities, such as China-ASEAN Free Trade Area, ASEAN 10+3, and Shanghai Co-operation Organisation; 3) implementing the policy of “fostering an amicable, peaceful and prosperous neighbourhood”

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<sup>10</sup> Qin Yaqing and Zhu Liqun (2005), *Neo-internationalism and China's Diplomacy*, Xinhua Wenzhai, 2006, 2: 4-7.

towards neighbouring countries – actively safeguarding the regional common interests, promoting regional economic development, and resolving disputes with neighbouring countries through peaceful negotiation; and 4) developing a new security concept of common security which features mutual trust, mutual benefit, equality and co-operation. The direction of peaceful diplomacy of our country is conducive to our continued manifestation of Hong Kong's strengths as an international cosmopolitan city.

14. As an international city and a special administrative region of China, Hong Kong can contribute to the development of the overall external relationship of our country. The Mainland may tap Hong Kong's understanding of the international markets and our experience in monetary affairs to help implement its recent "going global" strategy and reform its financial systems. Moreover, Hong Kong has maintained close ties with the ASEAN countries over commerce, trade and cultural matters. We are not only a major trading partner of the ASEAN countries, but also a node of network for the Chinese in Southeast Asia. Socio-cultural exchanges are hence deeper. For these reasons, Hong Kong can play a more active part in the setting up of the China-ASEAN Free Trade Area, and in promoting relations with the ASEAN countries.

### Challenges

15. Indeed, Hong Kong will face some challenges in the course of enhancing its international status and strengthening its role in external affairs. The primary challenge is : the openness of Hong Kong has made it vulnerable to non-traditional security threats. Infectious diseases, money laundering, illegal migration, financial crisis, ecological security and food safety have affected Hong Kong in varying degrees. Second, with its position between East and West, Hong Kong can hardly avoid being dragged in international disputes. For instance, debates over issues such as the rule of law, human rights and constitutional development have often attracted adverse comments from the West, affecting our international image. Third, as an international city, Hong Kong still lags behind others in areas such as promoting and showcasing local cultural characteristics, leading consumption trends, drive for creativity, and development of arts and cultural activities. The development of these so-called "software" cannot be accomplished overnight. It is a long-term commitment that requires sustained nurturing efforts.



## **Issues to be Considered and Discussed**

16. I. Hong Kong positions itself as “Asia’s world city”. To live up to this reputation as a world city in the region, apart from maintaining its economic and financial strengths, what strategy should Hong Kong adopt in the political and cultural realms so that it can maintain and enhance its international image to prepare for future competition in the Asia-Pacific region?
- II. Hong Kong has accumulated considerable experience and expertise in dealing with various kinds of non-traditional security issues. In future, how should Hong Kong make use of its strengths to further promote institutional improvement at the global or regional level to combat non-traditional security threats? For instance, is it possible for Hong Kong to develop international standards of alert, systems for joint monitoring, and notification standards that are transparent for adoption worldwide?
- III. At the socio-cultural level, how could we step up co-operation between the government, voluntary agencies and non-governmental organisations in areas such as international rescue, fund-raising for disaster relief, cultural exchanges and student exchanges?
- IV. At the academic level, how should we co-operate with tertiary institutes in nurturing talents with regional and international outlooks?
- V. At the policy level, what should we do to raise the community’s awareness of international issues, deepen their understanding of the Asia-Pacific region, and foster in them the quality required of citizens of Asia’s world city?

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