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Tuck Hong James TANG

Singapore Management University, jamestang@smu.edu.sg

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Hong Kong's International Status

James T. H. Tang

Characterizing Hong Kong's international status can be a hazardous endeavour. As a British colony and not a sovereign state, the territory has not been seen as an independent actor on the international stage. Attempts to identify the territory's status have been further complicated by the 1984 Sino-British agreement to transfer Hong Kong's sovereignty from Britain to China in 1997. When Hong Kong becomes a Special Administrative Region (SAR) with a 'high degree of autonomy' under Chinese sovereignty after 1997, it will continue to be a non-sovereign territorial entity in international terms. Nonetheless, under the 'one country; two systems' formula it has been granted extensive authority and power in its internal governance, and the scope of autonomy in its external relations as agreed upon between the British and Chinese governments is extensive.

Hong Kong is not the only non-sovereign international actor. There are a large number of important non-state players in global politics such as global and regional international organizations or commercial corporations. There are also precedents for sub-state entities taking part in international organizations as separate non-sovereign members. Byelorussia and the Ukraine, for example, were non-sovereign members of the United Nations when they were part of the Soviet Union. But the peculiar circumstances and political arrangements for the territory present a number of interesting questions on Hong Kong's international identity and capability as an international actor.

Compared to other non-sovereign actors, the Hong Kong case is complicated by the fact that the territory has enjoyed a high degree of autonomy under British colonial rule in recent years and in many ways has assumed the functions of a 'state' in its internal governance. Moreover, under the Sino-British arrangements for Hong Kong's future, not only can the territory enjoy a 'high degree of autonomy' and maintain its existing political, economic, and social systems for at least fifty years after the transfer of sovereignty, it will also be able to manage its own external economic and cultural relations. Indeed, the Sino-British agreement for Hong Kong is internationally binding even after 1997. Nevertheless, identifying Hong Kong's international status remains a difficult task because of the territory's special political situation.

Since the Chinese government will assume sovereignty over Hong Kong, its stance is clearly a crucial factor in determining the territory's future international status. As 1997 approaches, China's political and economic influences in Hong Kong are increasing rapidly, but Beijing's attitude is rather more complex. On the one hand, it recognizes the importance of maintaining the territory's international economic position; on the other hand, it has consistently rejected the 'internationalization' of the Hong Kong question.¹ After the Hong Kong governor, Chris Patten, put forward a political reform package in October 1992 to introduce a larger element of representation for the 1995 Legislative Council elections, he was vehemently denounced by the Beijing government. Among other things, Patten was attacked for 'playing the international card'. The Chinese side accused the governor of 'internationalizing' the Hong Kong question by attempting to obtain support from countries like the United States, Canada, and Australia. The Patten proposal has even been interpreted as part of

A high degree of
autonomy

Economics and politics
are often intertwined

a wider western conspiracy to put pressure on China through 'peaceful evolution'.² Hong Kong's international status is clearly a highly sensitive issue.

With an outwardly oriented and open economy, Hong Kong's stability and prosperity depend as much on external factors as internal factors, but its international position has been seen largely in economic terms. It is widely recognized that strengthening Hong Kong as an international city serves the interests of the territory, China and the rest of the world. However, maintaining Hong Kong's international position merely in economic terms is becoming highly problematic in a world where economics and politics are often intertwined.

Most existing works on Hong Kong's external relations usually focus on the economic dimension.³ The Sino-British Agreement on Hong Kong and the drafting of the Basic Law for post-1997 Hong Kong have generated a number of studies from the legal perspective.⁴ Very few attempts have been made to study the territory's interactions with the international community by looking at the broader issues arising from the complex and inter-related political and economic dimensions.⁵ While Beijing's attitude is a major factor, the territory's own evolving involvement in international affairs and the world community's attitude towards Hong Kong should not be overlooked.

It has been suggested that post-1997 Hong Kong would probably assume a quasi-international personality 'somewhere between that of a federation and that of a vassal state'.⁶ How do we characterize the territory as an international actor? What are the scope and limits of Hong Kong as it seeks to protect its international interests? To what extent are current changes in the international order affecting Hong Kong and its future?

This is an attempt to clarify some of the problems in analyzing Hong Kong's international status. It approaches the complex set of questions on the territory's international position by looking at three inter-related aspects: first, conceptual questions concerning Hong Kong's status as a non-sovereign international actor in the context of international relations theory; second, the nature of Hong Kong's involvement in international affairs; and finally, the problems that Hong Kong encounters as a result of recent global and regional changes.

Hong Kong as a 'Quasi State'?

Well qualified to be a
'state'

Most definitions of the 'state' refer to territory, people, a government and sovereignty. With an area of only about one thousand square kilometres, Hong Kong's territorial size is rather small. But with a population of almost six million, and a stable political system and well developed bureaucratic administrative governing structures, Hong Kong is perhaps well qualified to be a 'state'. In Asia, states like the Maldives, and Singapore are smaller than Hong Kong in territorial terms. When population is taken into consideration, the territory is larger than Bhutan, Brunei, Fiji, Laos, the Maldives, Mongolia, New Zealand, Papua New Guinea, and Singapore. In fact, there are over forty independent states with populations of around one million or less in the world. The governmental structures of Hong Kong are certainly more effective and stable than states like Chad or Lebanon whose statehood has been referred to as 'largely fictitious', and the territory is more capable in taking care of the economic needs of its population than states like Ethiopia and Somalia.⁷

The absence of
sovereignty

The most critical aspect limiting Hong Kong's position as an actor in the international stage is clearly the absence of sovereignty, a concept closely linked to the concept of the state. Since Hong Kong is not a sovereign state, it is not recognized as an independent actor by the international community. The foreign relations of the territory have always been the responsibility of the British government in London, and they will be the responsibility of the Chinese government in Beijing after 1997. Most people in Hong Kong therefore have not paid too much attention to the territory's overseas activities with the exception of the territory's trade and external economic links.

It is important to clarify the meanings of the inter-related concepts of 'state' and 'sovereignty' before a meaningful analysis of Hong Kong's status as an

international actor can proceed. Both concepts are central to the study of international relations. In spite of the general references to territory, people, government and sovereignty, identifying 'the state' has proved to be an elusive task. The multiple meanings and theoretical complications of the concept have confounded many political theorists.⁸ One attempt to clarify it provided 145 different meanings. Among the various interpretations of the concept of 'the state' three broad categories can be identified: those that focus on the relationship between state and society; those concerned with the state and the international system; and those that see the state as a link between complicated socio-economic-political domestic structures and the equally complex international system.⁹

Since this study's main concern is Hong Kong's international status, it will focus on the conceptual questions related to the relationship between the state and the international system. The key to understanding the state using this perspective is sovereignty because it is the characteristic which demarcates those territory-based entities which appear regularly on the international stage and those that lack an international dimension. These entities all refer to themselves and their fellows on the international stage as sovereign. In short: 'Sovereign states are within, and non-sovereign states are without, the international pale'.¹⁰

Unfortunately, like the notion of the state, the concept of sovereignty is as important as it is problematic in the study of international relations. A straightforward classic definition of the term sovereignty is: 'a final and absolute authority in the political community'. The concept, however, is more complicated: it has sometimes been referred to as a matter of law, and sometimes a matter of power. In both legal and political terms, the limits of sovereignty have been well documented. Moreover, states often use sovereignty in a variety of ways to suit changing political circumstances.¹¹ Three elements of the concept in international relations have been identified: constitutional independence; international capacity; and territorial disposition. When a country is sovereign its constitution should not be part of a larger constitutional arrangement with supreme authority within its territorial jurisdiction.¹²

Not all states which are internationally recognized as constitutionally independent, and accepted by members of the international community as sovereign-states, participate actively on the international stage. Robert Jackson coined the term 'quasi-states' to describe constitutionally independent states which are recognized as sovereign internationally, but displaying limited empirical statehood in terms of political will, institutional authority, and the provision of socio-economic welfare for their people.¹³

Borrowing Isaiah Berlin's ideas of negative and positive liberty, Jackson differentiates the terms 'negative sovereignty' and 'positive sovereignty'. States enjoy 'negative sovereignty' when international society confers upon them a formal-legal entitlement to constitutional independence and freedom from outside interference. While 'negative sovereignty' refers to a formal condition, 'positive sovereignty' refers to a substantive condition. States can be said to have 'positive sovereignty' only when their governments can provide political goods for their citizens, are capable of collaborating with other governments in international arrangements and reciprocate in international commerce and finance. 'Quasi-states' therefore possess 'negative sovereignty', but not 'positive sovereignty'; their independent status and sovereignty may be recognized externally but they do not possess the capacity to govern effectively and to take part actively on the international stage.¹⁴

From the formal-legal perspective, while Hong Kong is not a sovereign state, the degree of its capacity to act is seldom accorded to other contemporary sub-state units. The extent and range of powers within the competence of the SAR as promised in the Sino-British Joint Declaration and provided by the Basic Law is considerable. Under the Basic Law, Hong Kong is to enjoy a high degree of autonomy in terms of its internal political authority, power of governance, control of natural resources, the management of the economy, and the maintenance of its own way of life.

Both the Joint Declaration and the Basic Law, which provides for the consti-

The limits of sovereignty

'Negative sovereignty' and 'positive sovereignty'

Hong Kong is to have autonomy

tutional arrangements for the Hong Kong SAR's political, social, and economic structures, have stated clearly that while the central Chinese government will be responsible for defence and foreign policy, Hong Kong is to have the autonomy to manage its external economic and cultural relations. Elaborating on China's basic policies regarding Hong Kong, the annex of the Joint Declaration states that:

Subject to the principle that foreign affairs are the responsibility of the Central government's government, representatives of the Hong Kong Special Administrative Region Government may participate, as members of delegations of the Government of the People's Republic of China, in negotiations at the diplomatic level directly affecting the Hong Kong Special Administrative Region conducted by the Central Government.¹⁵

The Chinese government's position is that:

The Hong Kong Special Administrative Region Government may on its own, using the name Hong Kong, China, maintain and develop relations and conclude and implement agreements with states, regions and relevant international organisations in the appropriate fields, including the economic, trade, financial and monetary, shipping, communications, touristic, cultural and sporting fields.

In general, the Basic Law's stipulations on Hong Kong's external relations – articles 150–157 in chapter VII and other relevant articles which are scattered in other parts of the text – largely duplicate China's promises in the Joint Declaration, with minor additions.¹⁶

Non-sovereign
autonomous entities

Of course, like many non-sovereign autonomous entities, Hong Kong will not be responsible for its defence and foreign relations. In a study of non-sovereign entities with varying degrees of autonomy, Hannum and Lillich suggested that the relative degree of international autonomy possessed by autonomous entities can be identified by: control over defence; control over foreign relations; and competence over foreign relations. The defence of most of the autonomous entities is provided by the central government. In some cases, the sovereign state delegates its authority over defence matters but always retains unilateral authority to rescind such delegation of authority. Most non-sovereign entities also do not conduct their own foreign relations with the exceptions of limited treaty-making power restricted to economic, cultural, and social matters. Finally, Hannum and Lillich found that except in the case of associated states [entities which have delegated certain competence, particularly in the areas of foreign affairs and defence, to a principal State] autonomous entities do not normally participate in international organizations.¹⁷

United States-Hong
Kong Policy Act of 1992

Unlike many other autonomous entities, Hong Kong enjoys a greater degree, if still limited, of international recognition of its special status. Under the United States-Hong Kong Policy Act of 1992 which went through the United States Congress in August 1992, the American government is able to treat Hong Kong as 'a non-sovereign entity distinct from China for the purposes of US domestic law based on the principles in the 1984 Sino-British Joint Declaration'. The Act stated that the United States should, 'continue to fulfil its obligations to Hong Kong under international agreements as long as Hong Kong reciprocates, regardless of whether the People's Republic of China is a party to the particular international agreement', and the United States should 'continue to treat Hong Kong as a separate territory in economic and trade matters'.¹⁸ Such recognition of Hong Kong's special position is not confined to the United States. The revision of Canada's Foreign Missions and International Organizations Act in 1991, for example, has taken into consideration the Hong Kong case. The Act allows the Canadian government to accord 'an office of a political subdivision of a foreign state' similar privileges and immunities to those that foreign diplomatic consular posts enjoy in Canada.¹⁹

Hong Kong as an
effective international
actor

Compared with other autonomous entities, Hong Kong's formal authority to conduct its external economic and cultural relations and to take part in international organizations is therefore unparalleled. Its formal capacity to act is larger than most non-sovereign entities on the international stage. As Michael

Davis put it, 'if the Joint Declaration formula is adhered to with respect to external affairs, Hong Kong should be able to maintain its status as an effective international actor'.²⁰

Hong Kong clearly does not enjoy constitutional independence, and therefore does not possess negative sovereignty, but it has a highly effective administrative machinery by any international standards, and has been allowed a high degree of autonomy in the management of its internal affairs under British rule. The Sino-British Joint Declaration and the Basic Law have also provided a firm basis for its future involvement in international affairs.

The international capacity of Hong Kong is further enhanced by its economic strength and extensive involvement in the global economy. The territory is a major financial, communications, and transport centre in Asia-Pacific, and a key link between the Chinese economy and the rest of the world. In 1991, it became the world's tenth largest trader. The territory's foreign currency reserve at the end of 1991 was a massive \$28.9 billion, the twelfth largest in the world. Hong Kong is also a leading investment destination for foreign firms. In 1991, for example, American direct investment in Hong Kong reached \$6.43 billion, making Hong Kong the third largest Asia-Pacific destination for American investment after Japan and Australia. In fact, structural changes in the global economy should help to secure Hong Kong's international position. As a result of the internationalization of economic production, smaller private firms have become far more important in international relations. With more Hong Kong firms actively investing and manufacturing abroad, the territory's role as an international actor has become even more significant. Compared to many small sovereign states in the developing world, the territory is relatively far less vulnerable to external political and economic threats to its survival.²¹

In many ways, the territory is more capable of administering its own affairs and providing political goods for its citizens than some other sovereign states. With a well developed administrative machinery, a high degree of autonomy in managing its own political and economic affairs, an unparalleled degree of latitude in participating in international affairs among autonomous entities, and a dynamic and open economy, Hong Kong's international capacity is by no means insignificant. It can be seen as a key player in international and regional affairs in its own right as a reversed form of a Jacksonian 'quasi-state'.

Hong Kong as an International Actor

While Hong Kong may possess significant formal legal and economic capacity in international terms, the government has been reluctant to assert the territory's international position. Hong Kong's special political position imposes important constraints on the territory's scope in international activities. Another critical question in determining Hong Kong's international status is, to what extent has Hong Kong acted autonomously in international affairs?

The Hong Kong government's involvement in international affairs has largely been economic in nature. Hong Kong's overseas offices are primarily responsible for the territory's external economic relations such as trade negotiations, and trade and industrial promotion. International political and security issues are therefore irrelevant for the Hong Kong officials who represent the territory abroad.²²

While Hong Kong has been an active member or associate member of many international or regional organizations, including the Asian Development Bank (ADB), the General Agreement of Trade and Tariff (GATT), the Customs Cooperative Council (CCC), the Economic and Social Commission for Asia and the Pacific (ESCAP), and the International Monetary Fund (IMF), it has always been passive towards international political events, choosing to devote its energy to the creation of wealth.

Unfortunately, the territory has found that very often it cannot remain aloof from regional and global politics. International politics have affected the territory since the mid-nineteenth century. The existence of Hong Kong as a British colony is, in itself, a direct result of the international conflict arising from

A key player in international affairs

Passive towards international political events

Berlin of the East

Sino-British confrontation over the expansion of British imperial and mercantile interests in East Asia. The British colony of Hong Kong has remained a central symbol of China's humiliation at the hands of western powers.²³

The British colony later became an important base for revolutionary activities against the imperial Qing government at the turn of the century. It also played a part in the Sino-Japanese conflict by supplying important goods to China in the period from the late 1930s up to 1941 when Japanese forces occupied the territory. During the Communist-Nationalist civil war in China, Hong Kong was a major coordinating centre for Chinese Communists who sought refuge in the colony. Soon after the establishment of the People's Republic of China in 1949, Hong Kong became embroiled in cold war politics. Although the British government was the first major western country to accord diplomatic recognition to the new Chinese government, Sino-British relations remained tense during the early 1950s. At the height of the Cold War, the territory was occasionally referred to as 'Berlin of the East', and the defence of the territory against communist subversion was part of the British strategy of protecting its position in Southeast Asia. As a British colony, Hong Kong belonged to the western camp, but its proximity to China created an extremely difficult situation for the territory during the Cold War.²⁴

The United Nations embargo against China in 1951, following Beijing's military intervention in Korea, dealt a heavy blow to Hong Kong's economy, ending the territory's position as an entrepôt for China. Another alarming development concerned the security of the territory as Britain and China became involved directly in the Korean conflict. Some British troops based in the colony were sent to Korea and fought on the opposite side of the battle against Chinese soldiers who went to Korea as 'volunteers'.²⁵ In the early 1950s, Hong Kong also became an indirect battlefield in the Cold War when the United States put pressure on Britain to detain some seventy aircraft belonging to two Nationalist Chinese agencies. The Westminster government succumbed to American pressure and instructed the authorities in Hong Kong to keep the planes in the territory instead of handing them over to the Beijing government.²⁶

Dependence on China's acquiescence

On the one hand, the Hong Kong government has to stand firm against Chinese communist activities in the territory; on the other hand, the government has always acted cautiously and taken into consideration Beijing's possible reactions because the survival of the colony also depends on China's acquiescence in its special status. While China underwent the turbulent Cultural Revolution in the 1960s, tiny capitalist Hong Kong prospered by adopting an outward economic orientation, achieving rapid economic growth by exporting to major western industrialized markets.

Conflict with British economic priorities

As British colonial ambition waned and London no longer accorded the region high priority in its foreign policy, the territory began to take care of its own international economic interests. As a newly developing economy, the colony very often found its economic interests came into conflict with British economic priorities. From the end of the 1960s, the colony gradually assumed direct responsibility for the conduct of its own commercial relations. By the early 1970s, when Britain joined the EC, Hong Kong assumed full *de facto* autonomy in its external multilateral commercial relations.

Before Hong Kong became a contracting party to GATT in 1986, the territory's representatives, who technically were members of the British delegation, had on many occasions opposed the British position. Hong Kong's Secretary for Trade and Industry recalled that 'GATT members were often treated to what they regarded as the amusing spectacle of a UK representative on behalf of Hong Kong speaking from amidst the EEC delegation to criticize the EEC or taking a position opposite to the EEC's'.²⁷ But in some other instances the territory had to follow London's lead. During the Falklands War, when Britain severed economic links with Argentina, Hong Kong followed suit even though it had little interest in the territorial conflict between the two countries. In 1986, the Hong Kong government also followed the United Kingdom in imposing import restrictions on South African goods.²⁸

A deliberate choice to avoid political troubles

The Hong Kong government's passive response to regional and global political changes has been partly dictated by the territory's special political status, and partly the result of a deliberate choice to avoid political troubles. The magic formula of separating politics from economics may not continue to work as global economic development becomes more intertwined with political development in the post-cold war world. Hong Kong's embroilment in the Sino-American trade conflict, for example, has demonstrated that passivity is not necessarily always a virtue. Hong Kong's difficulty is that the territory's international capacity is not only limited, but the exercise of that capacity is also politically sensitive because of China's concern about the internationalization of the Hong Kong question. To make things more difficult, as Hong Kong seeks to re-define its international position during the political transition period, an emerging new international order is presenting new challenges.

Hong Kong and the New International Order

Although Hong Kong is unwilling to become involved in international politics, maintaining a separate international identity has been considered to be critical to the territory's continuing prosperity. Ever since the conclusion of the 1984 Sino-British Agreement, the importance of Hong Kong's special position has been widely recognized.

About the same time as the final draft of the Basic Law was completed in 1990, the Office of Members of the Executive and Legislative Councils (OMELCO) prepared a report on strengthening the territory's international foundations. OMELCO believes that maintaining the territory's international position will 'contribute to prosperity and economic stability by opening up more opportunities for trade and creation of wealth', and also help its continuing development as a link between China and the rest of the world. A more international Hong Kong will enable the continuation of the territory's contribution to China's modernization effort as a channel for and source of foreign exchange, investment and trade, as well as technical and professional expertise. It will 'demonstrate the efficacy of the "one country; two systems" concept', and also stimulate greater economic activity in Southeast Asia and the Pacific rim, and in turn, benefit China as well. For the rest of the world, Hong Kong's continuation as an international city will help to maintain the territory as an important market and provide a useful base for overseas companies and agencies interested in doing business with China and in the region.²⁹

Further strengthening Hong Kong's international foundations

The need to further strengthen Hong Kong international foundations has also been repeated by the wider business community in Hong Kong. A number of the territory's business and civic leaders established the Hong Kong Economic Survey Limited in 1988 to identify the economic problems facing Hong Kong as a result of the 1997 issue. An international consultancy firm, SRI International, was commissioned to prepare a report on how to secure Hong Kong's economic future. The report recommended, among other things, maintaining Hong Kong's autonomy, and preserving its uniqueness, as well as internationalizing its economy. The SRI report urged Hong Kong business and government to make 'aggressive efforts to encourage strong international trade, investment, manufacturing, and finance links with the world economy'.³⁰ SRI envisaged an important role for Hong Kong in the economic integration of Southeast Asia, and suggested that the territory should play an important part in the Asia-Pacific which would reach a new level of economic growth in the 1990s. Endorsing a large part of SRI's recommendations, the Hong Kong Economic Survey Limited proposed that Hong Kong could survive in the increasingly competitive international environment by providing better infra-structural support, developing closer economic cooperation with China, and promoting Hong Kong's global economic outreach.³¹

Emphasis on the economic rather than political dimension

While suggestions that Hong Kong should strengthen its international position have earned wide support, the emphasis has always been on the economic rather than political dimension. The transformation in the structure of international politics and the global economy at the beginning of the 1990s, however, are

going to have significant impact on the territory's development both in economic and political terms.

Following the collapse of European communism, a great sense of uncertainty has been generated in Asia-Pacific international security relations, which for a large part of the Cold War, were dominated by the bi-polar East-West confrontation. Historical antagonism, nationalism and anti-imperialism as well as regional conflicts very often coloured the nature of international relations in the region even during the cold war era. As the former Soviet Union disintegrates and the configuration of power in world politics changes, a new and even more complex strategic environment is emerging in the region, creating a situation of uncertainty with new sources of conflict and instability.³²

Parallel to the uncertainty in regional international security arrangements, the future of the liberal global economy is also under threat. During a large part of the cold war period, international economic relations were characterized by a United States-dominated world economy centred around the GATT-based liberal multilateral trading system. The American commitment to maintaining its political leadership in the Western alliance and bearing the collateral defence burden seemed to have been weakened. New protectionism in the form of non-tariff barriers have undermined the GATT effort to liberalize international trade.³³

Trade frictions

Trade frictions are not only confined to Japan and the United States. Rapid economic expansion of the Asian Newly Industrializing Economies, such as South Korea, Taiwan, Singapore and Hong Kong, and China's opening up have created new economic conflicts between Asian states and the industrialized West. The Uruguay round of GATT talks have failed to bridge the differences among major trading nations. The establishment of the European single market, and the North American Free Trade Area have been seen as threatening developments for export-oriented economies in Asia-Pacific. The prospect of an Asian trade bloc has been earnestly discussed. The Malaysian government, for example, has put forward a proposal for the establishment of an East Asian Economic Grouping or Caucus. Southeast Asian countries in the form of the Association of Southeast Asian Nations (ASEAN) have also been working towards the establishment of an ASEAN free trade area. Such developments and the difficulties in the GATT-sponsored Uruguay round trade talks have generated concerns about the future of the liberal trading system. Although GATT-focused multilateralism probably will continue to characterize world trade, bilateral, cartelized, and regional arrangements are also becoming key elements in the international trade regime.³⁴

Hong Kong's embarrassing position

Hong Kong's embarrassing position as a British territory – linked to the West for economic development but dependant on Communist China for its survival – became largely irrelevant with the Sino-American rapprochement and the general improvement in international relations since the 1970s. In fact, Hong Kong became far more prosperous when China began its modernization effort in the late 1970s and opened up itself to the global economy. Hong Kong has since become a key element in China's opening up to the outside world, and it has also benefited economically through close economic association with China. But the transformation of the post-cold war international political and economic order is having a significant impact on Hong Kong at a critical period of the territory's development.

A trade war will have a damaging effect

The territory has an open economy almost completely dependant on the global economy for survival. As a result, it is extremely vulnerable to changes in the international environment. The territory's international economic links are extensive, and they cut across political divides in different parts of the world. Hong Kong's major overseas markets include China, the United States, Japan, Germany, the United Kingdom and Taiwan. In 1990, the leading foreign investors in the manufacturing sector were: Japan, the United States, China, and the United Kingdom. Southeast Asian countries have also become key economic partners. If regional or international conflicts involving China and other countries arise, Hong Kong would be caught in the middle. Given the close economic links between Hong Kong and Southern China and the territory's

continuing dependence on the American and European markets, a trade war between Asian states and the industrialized West or political confrontation between China and the United States will have a damaging effect on Hong Kong's economy. In recent years, concerns about China's human rights record, and its arms sales to the third world have complicated the debates about China's Most Favoured Nation (MFN) trading status in Washington. In early 1993, the Hong Kong government faced a difficult situation when the Clinton administration expressed support for greater democracy in Hong Kong as the MFN debates took place. Although Hong Kong officials stated clearly that the MFN question should be separated from the debate over the Patten proposal and lobbied hard on behalf of China, Hong Kong's ability to influence political sentiments in Washington is very limited. The Hong Kong Trade Development Council estimated in 1991 that, if the United States removed China's MFN status, Hong Kong's external trade might be reduced by 5 to 7 per cent with a reduction in its GDP by as much as 1.3 to 1.8 percentage points. The government calculated that if the United States withdrew China's MFN status in 1993 the territory's losses would probably double the 1991 estimates.³⁵

Indeed, global economic developments are also creating new difficulties for Hong Kong. The changes in the world trading system are presenting a particularly difficult challenge for the territory. Hong Kong is probably one of the best examples of free trade; it follows GATT principles better than most other traders. Hong Kong trade officials have repeatedly stressed the importance of an open multilateral trading system and consistently supported the early conclusion of the Uruguay round of trade talks.³⁶

In fact, Hong Kong firms are becoming more energetic in expanding overseas as bilateralism, regionalism, and sectoral protectionism are becoming important components in the world trade order. The territory has therefore to protect its economic interests by becoming more active in regional cooperation. In 1991, Hong Kong became a member of the Asia Pacific Economic Cooperation Conference and the Pacific Economic Co-operation Conference. The territory also hosted the ADB's annual meeting in early 1992. While participating in regional international organizations and forums is important for the territory's economic development in an increasingly interdependent world, such involvement in regional and international cooperation may have political implications. It is perhaps not too surprising that the Hong Kong government's response to the changing world trade regime has been rather ambivalent. Its attitude towards economic regionalism is a good example: while closer regional cooperation can bring more economic benefits, inward looking regional trade blocs will undermine the expansion of world trade. To what extent Hong Kong can enjoy a separate identity and how other states in the region perceive Hong Kong's status is clearly important to the territory's international position, and ultimately, its continuing economic success.

Conclusions

While there is a common recognition of the need for Hong Kong to maintain and strengthen its separate international identity, existing attempts to assess the impact of Hong Kong's political transition on its international status are far from adequate. Another missing dimension in the study of Hong Kong's international position is the impact of recent global economic and political changes on the territory. Developments outside of Hong Kong often have serious consequences for the territory's well-being.

The Hong Kong SAR's international status will become clear only after 1997. The extent to which Hong Kong can exist as a reversed form of the Jacksonian 'quasi-state' as suggested by this article will ultimately be determined by the political and economic influences that China is prepared to exert on the territory. It has been observed that the extent and range of powers or subjects within the competence of the SAR may be greater than almost any other system of autonomy, but equally striking is the fact that there are no effective guarantees for the exercise of these powers.³⁷

More active in regional cooperation

No effective guarantees

While the potential international capacity of Hong Kong is considerably greater than most other sub-state units, it is also limited in a number of important ways. Whether or not the territory can assume a separate international identity will be largely determined by China's attitude. The Chinese government's tough stance towards the constitutional reform proposal put forward by Chris Patten has clearly illustrated that China remains highly suspicious of a politically more assertive Hong Kong. Zhou Nan, the director of the Xinhua News Agency in Hong Kong, accused the British administration of trying to turn the territory into an independent or semi-independent political entity.³⁸ Are other international actors willing to recognize Hong Kong's special status? Although they recognize the territory's important international position, they may not wish to earn China's consternation by officially recognizing Hong Kong's status as a non-sovereign international actor.

While Hong Kong's international capacity is limited, the end of the Cold War has created a more favourable environment for non-sovereign actors on the international stage, offering Hong Kong an excellent opportunity to strengthen its position as a unique international city. A uni-dimensional preoccupation with economics clearly can no longer serve Hong Kong's interests well. Given the territory's diversified external links and interests, the government and the community as a whole must monitor international developments more closely, and provide better support for the development of expertise on international and regional affairs in Hong Kong. If the territory is to successfully meet the challenge presented by its political transition and the changing international situation, it will have to adopt a more active approach in managing Hong Kong's extensive interaction with the outside world.

1. See, for example, Qian Qichen's remarks, *Wen Wei Po*, 11 April 1992. See also "Internationalization" of HK question opposed', *Beijing Review*, 6 November 1989, p. 9; and "Internationalization" of Hong Kong gets nowhere', *Beijing Review*, 11 December 1989, pp. 14-15.
2. See, for example, 'Ping pengdingkang de "guojipai"' [On Patten's 'international card'] *Bauhinia*, January 1993. See also "'Guojipai" bangbuliao pengdingkang de mang' [The 'international card' cannot help Patten], *People's Daily* (Overseas edition), 20 November 1993; and 'Pengdingkang de "Guojipai" juxinpoce' (The hidden intent of Patten's international card), *Liaowang*, December 1993.
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9. Y.H. Ferguson and R. Mansbach, *The State, Conceptual Chaos, And The Future of International Relations Theory* (Boulder: Lynne Rienner for the University of Denver, 1989), pp. 41-80.
10. Alan James, 'Sovereignty: ground rule or gibberish?', *Review of International Studies*, No. 10, 1981, p. 4.

11. F.H. Hinsley, *Sovereignty* (Cambridge: Cambridge University Press, 2nd edn., 1986), p. 1. See also James, 'Sovereignty', p. 1. A discussion of the limits of sovereignty in international law is Ingrid Detter De Lupis, *International Law and the Independent State* (Aldershot, Hants: Gower in association with the London School of Economics, 2nd edn., 1987).
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13. Robert H. Jackson, *Quasi-States: Sovereignty, International Relations, and the Third World* (Cambridge: Cambridge University Press, 1990), p. 21.
14. Jackson, *Quasi-States*, pp. 26–31.
15. *Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the People's Republic of China on the Question of Hong Kong*.
16. In addition to Chapter VII on foreign affairs, the Basic Law also refers to the SAR's external relations in Chapter V (Economy) and Chapter VI (Education, Science, Cultural, Sports, Religion, Labour, and Social Services) and Annex III: National Laws to be applied in the Hong Kong Special Administrative Region.
17. Hurst Hannum and Richard B. Lillich, 'The Concept of Autonomy in International Law' in Yoram Dinstein, *Models of Autonomy* (New Brunswick: Transaction Books, 1981). See particularly pp. 232–6.
18. *The US-Hong Kong Policy Act of 1992* as released by the United States Information Office, Hong Kong, 11 August 1992.
19. *The Foreign Missions and International Organizations Act (1991)*, Canada, Part III Section 6(1).
20. Davis, *Constitutional Confrontation*, p. 140.
21. See Susan Strange, 'States, firms and diplomacy', *International Affairs*, Vol. 28, No. 1, 1992. A fuller treatment of the role of firms in international relations is John Stopford and Susan Strange, *Rival states, rival firms: competition for world market shares* (Cambridge: Cambridge University Press, 1991).
22. See, for example, Peter Tsao, *The Auto-biography of Peter Tsao* (in Chinese) (Hong Kong: Publications, 1992), pp. 196–7.
23. This sense of humiliation has remained a major theme in the Chinese perspective of the Sino-Western conflict, see for example the text for Peking University's Course on Chinese Foreign Relations by Yang Gongsu, *Wanqing weijiaoshi* [A diplomatic history of the late Qing period] (Beijing: Beijing daxue chubanshe, 1991).
24. See Chan Lau Kit-ching, *Britain, China and Hong Kong, 1895–1945* (Hong Kong: Chinese University Press, 1990). See also James T. H. Tang, 'World War to Cold War: Hong Kong's Future and Anglo-Chinese Interactions, 1941–55', in Ming K. Chan (ed.), *Precarious Balance: Hong Kong Between China and Britain, 1842–1992* (New York: M.E. Sharpe in association with Hong Kong University Press, forthcoming), and also James T.H. Tang, *Britain's Encounter with Revolutionary China, 1949–54* (London: Macmillan, 1992).
25. See Tang, 'World War to Cold War'.
26. Tang, *Britain's Encounter with Revolutionary China*, chapter 7.
27. Speech to New Territories Zonta Club on 'Hong Kong and the GATT', 3 December 1991.
28. Import Prohibition (Argentina) Regulations 1982, and Import Prohibition (South Africa) (No. 2) Regulations 1986.
29. Office of Members of Executive and Legislative Councils, Hong Kong, *Strengthening Hong Kong as an International City* (Hong Kong: OMELCO, February 1990).
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35. *1991 Survey of Overseas Investment in Hong Kong's Manufacturing Industries* (Hong Kong: Hong Kong Government Industry Department, 1991); *U.S. Import Tariff, MFN vs Non-MFN Rates* (Hong Kong: Hong Kong Trade Development Council, 1991); *South China Morning Post*, 6 March 1993.
36. For an official account of Hong Kong's trade policy see *Trade Department Handbook*, (Hong Kong: Hong Kong Government Trade Department, 4th edn., 1991).
37. Yash Ghai, 'A Comparative Perspective', in Peter Wesley-Smith (ed.), *Hong Kong's Basic Law: Problems and Prospect*, proceedings of a seminar held at the University of Hong Kong on 5 May 1990 (Hong Kong: Faculty of Law, University of Hong Kong, 1990), p. 9. See also Clark, 'A High Degree of Autonomy'.
38. See Zhou Nan's interview, *The Mirror*, 28 January 1993.