

Hong Kong as Asia's World City: Development Trends after the 1997 Handover

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Abstract

Hong Kong became a world city under British rule. Yet, its change of sovereignty has meant certain disadvantages for Hong Kong, the territory's one-country two-systems policy denies Hong Kong full incorporation into China, and the financial crisis of 1998 and the SARS epidemic of 2003 were disastrous for Hong Kong's world city image.

In the last decade, economic performance in Hong Kong has deteriorated with the Mainland factor crucial for economic recovery. This has further mainland-ized Hong Kong at the expense of internationalization. Despite its competitor's moves for regional and bilateral free trade agreements and the Mainland's shift in free trade policy, Hong Kong has yet to negotiate or build on its pre-1997 image. Hong Kong must seize its opportunities and deal effectively with the Chinese and US global systems that envelop it.

Keywords: world city, Hong Kong, 1997 Handover, globalization

Introduction

Before 1997 under British rule, Hong Kong has become a world city and has been regarded as such internationally¹, although it was not the world city in Asia, trailing behind Tokyo and competing against Singapore, or one of the first-tier world cities in the world that consisted undisputedly of London and New York. After 1997 Hong Kong has become China's Hong Kong and it seems the first SAR Administration under C. H. Tung has for the first time in the history of the territory set the goal of becoming Asia's world city, to compete with Tokyo for the position and implicitly to surpass Singapore.² In his and the Commission's vision, there has not been any timetable and action plan(s) for achieving the goal. And after the honey moon years of his administration Hong Kong had caught in economic depression brought first by the Asian financial crisis in 1998 and later by SARS epidemics in 2003. There had not been any discussion about the vision, nor about the strategic and policy

¹ Hong Kong was said to be clearly a global city in a special issue of *Cities* in 1997. However in the analysis of John Friedmann, who started the debate on world cities by his article in 1986, Singapore was regarded as the only world city in Asia, not Hong Kong nor even Tokyo. Later Friedmann confirmed that Tokyo had become one of the three cities global financial articulations alongside with London and New York. Singapore was only the second-tier world cities of multinational articulation, but Hong Kong remained at a much lower rank in the global hierarchy as a city of subnational/regional articulations, lower in ranking than Seoul in Asia (Friedmann, 1986; Friedmann, 1995; Kirby, 1997: iii).

² The promotion of Hong Kong as Asia's world city came from the Commission on Strategic Development set up and chaired by Tung himself in October 1997. In his policy speech of 1998 Tung referred to the Commission's suggestion to develop Hong Kong as a city enjoying a status similar to that of New York in America and London in Europe and again in his 1999 policy speech he reiterated his long-term vision for Hong Kong to become one of the top world class cities on par with London and New York. In February 2002 the Commission published a report, which for the first time stated the goal of developing Hong Kong as Asia's world city. See the discussion in John Flowerdrew (2004).

means to achieve the goal. Economic recovery of the territory alongside with the replacement of the care-taking administration of Donald Tsang by a fully elected third administration of the SAR government continues to be headed by Tsang might provide another chance for the vision, probably through revision and reinterpretation that would be revealed in Tsang's policy speech in the fall. The purpose of this paper is to examine from the performance and some structural trends of development in the past 10 years of the inception of the Special Administrative Region of China whether it has moved closer towards the vision of Asia's world city or not.

The Concept of World City

Although the debate on world cities started in the mid-1980s, the concept was generally said to originate from the writings of Peter Hall in the 1960s.³ He described world cities as those that are usually the major centres of political power, seats of the most powerful national governments, sometimes international authorities and government agencies of all kinds. As such, his world cities were basically international cities and were still far from commanding a controlling position in a yet to emerge globalized/global system that integrates different national economies and the international trade and production systems that were still rooted in the national economies. It was only in the mid-1986 that a concept of world cities based on globalization became popular, probably as a consequence of the further and evolution of the international division of labour (imported industrialization of the developing economies and deindustrialization of the developed economies under a

³ Hall referred back to the work of Patrick Geddes in 1915.

regulatory regime economic and political integration of the two processes) that began in the 1970s.

John Friedmann proposed a hypothesis or a research agenda for world cities. His original formulation in 1986 consisted of the following generalizations among others:

1. Key cities throughout the world are used by global capital (not just multinational corporations based in any single national economy) as 'basing points' in the spatial organization and articulation of production and markets, resulting in the restructuring of these cities into a complex spatial hierarchy. They serve as the nodes of the new spatial system and hierarchy.
2. The global control functions of these world cities are directly reflected in the structure and dynamics of their production sectors and employment.
3. World cities are major sites for the concentration and accumulation of global and international capital and are points of destination for large number of both domestic and/or international migrants.⁴

More specifically, Friedmann suggested 7 indicators for the world cities: a major financial centre, headquarters for transnational corporations, international institutions, rapid growth of business service sector, important manufacturing centre, major transportation node and population size. Each of the seven indicators on its own could not make any city world cities. The defining features of the world cities should therefore include a few or all of these indicators, the number and strength of which would probably determine the position of the city in the global hierarchy.

Ten years later, revisiting the hypothesis Friedmann elaborated further that

⁴ From the elaborations in Arthur S. Alderson and Jason Beckfield (2004).

the world cities play a distinct role in the articulation of regional, national and international economies into a global economy. The focus is not just on the global scale, but rather the systemic organization and articulation of multiple scales stretching into or coming up from the more traditional regional, national and international. The whole is therefore more than the sum of the constituting parts. And the whole or the hierarchy is founded on the basis of the economic power the world cities individually and collectively command as 'command and control centres of the global economy' (Friedmann, 1995). His theoretical framework is therefore basically the world system approach of I. Wallerstein.

True to his intellectual background of world system theory, Friedmann has not developed a positivist scheme for a detailed ranking or classification of the world cities in his global hierarchy. His focus is on the global space of flows, fluid and changing, not just because of the shifts in the global scale, but more in the multi-scalar articulation of global, international, national and regional/local. This contrasts sharply with the more static and traditional notion of a world city as a bounded place plugged into a global space of flows.

Doel and Hubbard proposed a shift from atomism to structural-functionalism and to post-structuralism for the understanding of the post-1980 phenomenon of world cities. The shift or theoretical transition has been built upon two major processes of globalization: distanciation and time-space compression. According to their interpretation, distanciation refers to the stretching of all kinds of social, cultural, political and economic relations across space and time. Time-space compression denotes the apparent annihilation of space by time as a result of a wide variety of media and telecommunication technologies (and transport technologies) as 'speed distance' reconfigures many of the taken-for-granted correspondences between social space and physical distance (Doel & Hubbard, 2002: 354-55). Both distanciation and time-space

compression provide the connectivity and thus interaction of the world cities, bringing them into a global network, system and hierarchy. The new spatial system is therefore both relational and reflexive. As Doel and Hubbard (2002: 358) argue,

For example, Amin and Thrift claim that the global economy is the product of the institutional reflexivity that is characteristic of contemporary corporate strategies, knowledges and practices. This suggests that globalization is not universal or unitary, but heterogeneous and fragmented: a geography created by the discourses and practices of economic life that stress the need to ‘think global’ and ‘act local’ - and vice versa. To put it another way, the global space economy is not a ‘given’ brought into being by technological innovation and communication revolution. It is emergent—a ‘doing’ that, like all space, is the ‘articulation of relational performances.’

If the global space economy and the network, system and hierarchy of world cities are not given, either teleologically or from the circular argument of structural functionalism, but rather from the unpredictable outcome of *praxis*, attempts to create a taxonomy or hierarchy of world cities on the basis of discrete characteristics, even when relational in nature rather than in absolute attributes, would therefore be missing the reality. These futile efforts should include the work of the Globalization and World Cities Study Group and Network that uses the provision of four key advanced producer or corporate services of accounting, advertising, banking and law as the measurement of world-cityness (Beaverstock, *et al.*, 1999, 2000).

In the words of post-structuralism, “what is interesting about world cities is not their fixed position—both spatially and functionally—within a structured global network that may be imploding, but the way they bring relations into being: the way flows drift in and drift out, speed up and slow down, contract

and expand within them, folding and unfolding space,” because “everything is in a perpetual state of becoming, mutability and dissemination” (Doel & Hubbard, 2002: 357). The network, system and hierarchy of world cities represent therefore a constant drive for achieving or not-achieving against multi-scalar forces and processes that the cities themselves might not always have control over and even understand and anticipate.

Hong Kong as a World City: A Process of Evolution

In Asia, Tokyo has always been regarded as the world city. It is no so much because of the multi-nationalism of the city itself. Its almost undisputable position owes completely to being the capital of Japan and of Japanese corporations, which have become more and more global and powerful in the world. In the 1980s Tokyo had a large increase in multinational corporations with headquarters in the city, the high number of head offices of the world's largest banks and major increases in producer services. All these appear to confirm Sassen's definition of global cities (the top of world cities) as command-and-control centres of the globalized world economy (Sassen, 1991 & 2001). However all these corporations and banks are mostly Japanese national corporations and banks that turned global riding high on the ascendancy of the Japanese national economy. They become globalized much later than the British and US corporations and thus are less globalized in their reach, depth and breadth. This has led some to suggest that Tokyo is “a Japanese city with global reach, rather than a world city” (Saito & Thornley, 2003). The stagnation of the lost decade in the 1990s has not brought the Japanese economy and Japanese corporations to their knee. *Tables 1* and *2* confirm the great role and influence they are still exerting in the global system of production, trade and

investment through the still dominant position of Tokyo financial institutions in the global markets. If the yen-carry trade that has flourished since the “Big Bang” financial deregulation of Japan in the mid-1990s that brought the massive outflow of cheap Japanese money (the surplus savings and inflated money supply of the Japanese economy) to the global system through arbitration, the contribution of Japan and thus Tokyo as the Japanese node with the global system would be much greater.

Table 1 Share of Foreign Exchange Market (% of the World Total Value of Foreign Exchange Dealing), 1989 & 1995

	Tokyo	London	New York	Singapore	Hong Kong
1989	12.4%	20.1%	13.8%	5.9%	5.3%
1995	10.3%	29.5%	15.5%	6.7%	5.7%

Source: Nihon Ginko Geppou.⁵

Table 2 Hong Kong's Functions in the Global OTC Derivatives Market Activities as against Japan and Singapore (Average Daily Turnover in April of the Years and in US\$ Billions)

	Total			Foreign exchange			Interest rate		
	1998	2001	2004	1998	2001	2004	1998	2001	2004
Hong Kong	51	52	82	49	49	70	2	3	11
% of world	3.0%	2.8%	2.7%	3.7%	4.1%	4.0%	0.6%	0.4%	0.8%
Japan	121	132	185	89	116	154	32	16	31
Singapore	91	73	100	85	69	91	5	3	9
UK	591	628	1176	468	390	613	123	238	563
World total	1,682	1,862	3,089	1,339	1,186	1,758	343	676	1,331

Source: Bank for International Settlements (2005: 19).

Hong Kong has therefore in no way been able to challenge Tokyo.

⁵ Nihon Ginko Geppou (monthly report of the Bank of Japan) (Saito & Thornley, 2003: 666).

Nevertheless it has been a world city in most international considerations. Using the presence of 4 advanced producer services of accounting, advertising, banking and law as the proxy for command and control functions of the global system, Beaverstock et al. have found Hong Kong to be among the 10 top world cities, which they labeled as Alpha world city (Beaverstock, *et al.*, 1999).⁶ Another similar but broader study using 100 global service firms in 6 sectors (accountancy, advertising, banking/finance, insurance, law and management consultancy) for computation also found Hong Kong among the Band 1 world cities with cluster nucleus functions, not in the Class A of London and New York, but in the Class B alongside with Frankfurt, Paris, Singapore and Tokyo (Derudder, *et al.*, 2003). Hong Kong has been among the top 10 largest exporting economies in the world for decades despite its city scale. Its world connectivity is also evidenced in its first or second ranking among the world largest container ports and its overtaking Tokyo in terms of airline passenger travel in mid-1990s (Shin & Timberlake, 2000).

But what makes Hong Kong a world city? Is it a simple outcome of the hard working of the local population and/or even the natural working of the so called free market regime that put Hong Kong's economic performance and global connectivity above most other cities in the world to become a leading world city in Asia and the world? If we follow the post-structuralist approach, "the city is not a localized place of economic competitiveness (i.e. a hub in this space of flows), but is a constellation that translates and mediates these flows through global space and networked time" (Doel & Hubbard, 2002: 365). We need to seek beyond the city of Hong Kong to find explanation of the achievement of world city of Hong Kong.

⁶ The first tier of Alpha world cities lists London, Paris, New York and Tokyo, while the second-tier includes Chicago, Frankfurt, Hong Kong, Los Angeles, Milan and Singapore.

An outstanding and even defining feature of Hong Kong before 1997 was that it was a British colony, and more specifically, the British outpost in Asia, especially after the independence of other British colonies in Asia in the 1950s and 60s (Singapore in 1965). As such it had not only incorporated Hong Kong into the global system of Pax Britannica, but also through the alliance between the UK and the USA into the more extensive system of Pax Americana, which dominated the world during and after the Cold War. However, the external membership has only been one of the causes, none of which is mere necessary but in fact probably all of which are essential, for the economic growth and development of the Hong Kong economy from the local to regional and then international and global scale. There are other causes in chronological order as follows.

First, the British rule and Hong Kong's participation in the British Empire had not spread British type industrialization to the colony. The colony remained as an entrepot trade outpost for British merchant firms and a base for lending to Chinese Mainland public and private entities for overseas banks headquartered locally. It was only with the unexpected defeat of the Nationalist government in the Mainland and the fear of Communist regime that had driven most of the Chinese industries establishments in major cities all over the Mainland like Tianjin, Shanghai, Wuhan, Shantou, and Guangzhou to relocate to Hong Kong with entire systems of equipment, capital, management, and skilled and non-skilled workers as well as their overseas business connections, thereby beginning local industrialization and transforming the entrepot trading centre into one of the most competitive industrial economies in the early post-war decades. Industrialization of Hong Kong had thus been transplants, not an outcome of conscious British policy, nor the expected consequence of the British trading activities in the region. As transplants, the industries

relocated reflected also the structural weakness of the pre-communist Mainland industrial economy—overwhelmingly concentrated in labour-intensive industries, in particular the textile industry. It had created a much narrower industrial and technological structure than indigenous industrialization.

Second, because of the lack of commitment of the British to the colony before the end of the world wars, local economy was small and weak with even a smaller domestic demand. The transplanted industrialization could not be supported by domestic demand, although the local population had quadrupled within a few years after the regime change in the Mainland. Products from the large transplanted industrial production had to find export market. The Korea War and the long economic growth period from the 1940s to 1970s (the 30-year Golden age of capitalism) supplied the surge in demand for the cheap and good quality labour light industrial products produced in Hong Kong. The British Commonwealth and its special trade privileges for its members gave Hong Kong open access to a large captive market that was not available in the early post-war international economy of trade protectionism. Through the alliance between the UK and USA, industrial products could also find ways to enter the world controlled directly and indirectly by the US government. The early start in post-war industrialization made Hong Kong a very competitive competitor to Japan in Asia and for the US market. The reindustrialization of Japan encouraged by the US after the defeat of the Korean War and the first Vietnamese war⁷ moved Japan up the industrialization and technology ladder,

⁷ “The reconstruction of the capitalist system after the Great Depression and the Second World War started with a strategic conception of the USA to structure the world around a central power flanked by two autonomous regional poles,” with the USA as the central power and Japan and Germany as the regional poles (Halevi, 1999: 97). As such Japan could not be just a producer of light industrial goods and had to revive its original full-scale industrialization. It would not stay at the same level to compete with Hong Kong.

thereby removing the only competitor for Hong Kong. The introduction of the textile quota system in the 1960s by the USA (and Europe) had the effect of consolidating the early-start advantage of Hong Kong as one of the largest exporter of textile goods. The export miracle and the successful industrialization from the 1950s onward would be impossible if Hong Kong was not a British colony and was able to transit from the fading British empire/commonwealth system to the US dominated “free trade” world.

Third, the British colonial status had given Hong Kong a link to the global system of trade and finance through the Anglo-Saxon common law system and other British systems that it had inherited. The advantage of a colony was the sharing at very little cost of the institutional set-up and traditions of a developed economy that had still enjoyed a very extensive usage in the world, while the low level of economic and social developments endowed it with low factor costs. Being the colony of an empire or a global system, it would be able to enjoy comparative advantages in production (and production-related services as well) vis-a-vis the developed core of the empire inevitably with a high cost structure. The disadvantage could be the loss of ownership of the local producing firms to the imperialist firms. Fortunately for Hong Kong, the unexpected transplanted industrialization had deprived the British the chance to own most of the export-oriented industrial and service firms rising from the successful industrialization.

Fourth, with its early-start advantages from industrialization and exports and the sharing of the Anglo-Saxon institutional set-up, when the US began to outsource and offshore its manufacturing industries in an attempt to compete with the Japanese since the late 1960s and early 1970s, Hong Kong became the best location of choice, much preferably than the Japanese dominated flying geese system of regional manufacturing economies (Korea and Taiwan), and

even the Americanized Singapore just after its independence in 1965. This provided the second wave of industrial transplantation or relocation for Hong Kong and with an ensured market in the US. The subsequent insertion of the Hong Kong export-oriented industrial economy into the buyer-driven global value chain of the US firms integrated further the local economy with the emergent global system dominated by US-based multinational corporations. Hong Kong transformed its external relationship from a traditional production-trading relationship with an international system of independent firms to a new one of industrial processing within an integrated global value chain (e.g. Gereffi, 1994, 1995). Hong Kong might be the first most important founding block for the emergent global value chain of labour-intensive manufacturing products (from textile, garments, to plastics, toys, gifts, electronics and other miscellaneous manufacturing products) from the 1960s. By virtue of this insertion, the production system and the city that contains it has become global, creating the foundation for becoming a world city in Asia even before the aggressive industrialization of Singapore, Taiwan and South Korea.

Table 3 Destinations of Hong Kong Exports, 1974, 1984 & 1998

	1974	1984	1998
North America	35.1%	48.0%	31.1%
Western Europe	33.9%	24.0%	19.8%
Japan	4.6%	3.7%	3.4%
<i>Sub-total</i>	<i>73.6%</i>	<i>75.7%</i>	<i>54.3%</i>
Other Asia	9.2%	15.4%	42.2%
(China)	(0.4%)	(8.2%)	29.8%
<i>Total</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>

Source: Hong Kong Census and Statistics Department.⁸

⁸ Hong Kong Census and Statistics Department (<http://www.censtatd.gov.hk/home/index.jsp>) (2007/11/28).

Export destination statistics of Hong Kong in 1974 and 1984 as shown in *Table 3* pointed to the high level connectivity of Hong Kong with the developed countries in North America and Western Europe, through its UK and US ties, but with much less links with Japan. The latter reflected the exclusion of Hong Kong from the regional flying geese pattern of industrial cooperation/division of labour in East and Southeast Asia controlled by Japan and its increasingly globalized trading and manufacturing corporations. The Japanese controlled flying geese system has also directed its exports to the US, and to Western Europe, but to a lesser extent, putting the regional system in direct competition with Hong Kong (Ozawa, 2002). This parallel development of two global value chain production systems in Asia has provided the US with an alternative supplier base to reduce its dependence on Japan, and when the US began to compete directly with Japan in the mid-1980s (as evidenced by the 1985 Plaza Accord by which the US used competitive depreciation strategy against Japan and its regional partners, Taiwan and South Korea), Hong Kong (and its access to China Mainland) became the most convenient means—for a more aggressive outsourcing and off sourcing to regain profitability and market share of the US multinational corporations.

Fifth, the shift in the global economic cooperation between the US and Japan in the mid-1980s has turned the US economy in competition with the Japanese one, and the search of the US for a low-cost overseas production network/system to replace and compete with the regional system Japan had built up in past decades. The forced appreciation of the yen has also obliged Japan to seek a more extensive overseas production base to maintain the competitiveness and profitability of its corporations and the Japanese economy as a whole either through relocating production capabilities to low-cost locations like the ASEAN economies, or by improving market access to the US

and Western European markets. At this important historical conjuncture, Hong Kong has played a very crucial role by taking the advantage of the opening up of the China Mainland and through its experimentation paving the way for massive industrial relocation, not only from the US, Japan, but also Taiwan, South Korea, Singapore and almost all Western European countries. Starting from the industrial processing activities in the Pearl River Delta region for the buyers' orders from the US in the 1980s, the pioneering Hong Kong mercantilist firms has helped China Mainland to evolve into "factory of the world" by the turn of the 21st Century. And in the process Hong Kong has been transformed into a world city that seemed to have a chance to challenge even Tokyo in Asia before the handover in 1997.

Table 4 Growth of Per Capita GDP of Hong Kong, 1966-96
(at Current Prices in HK Dollars)

	Per capita GDP		Per capita GDP
1961	2,347	1981	32,942
1966	3,921	1988	56,576
1971	6,559	1991	116,622
1976	14,121	1996	188,933

Source: Hong Kong Census and Statistics Department.⁹

Table 5 Changes in the Consumption Pattern in Hong Kong (Shares of Food and Services in Domestic Private Consumption in Local GDP at Current Prices), 1966-96

	Food	Services		Food	Services
1966	32.3%	39.7%	1986	18.2%	45.5%
1976	28.8%	41.6%	1996	13.2%	48.2%

Source: Hong Kong Census and Statistics Department.¹⁰

⁹ *Ibid.*

¹⁰ *Ibid.*

In 1968 local exports was equivalent to about 50% of local GDP in Hong Kong making it one of the largest industrial economies in the world with great export competitiveness. In 1988 total exports for the first time in the history of the territory to be larger than local GDP, thanks to the expansion of the relocated industries across the border in the Pearl River Delta region, which had still to rely on the producer's services of Hong Kong for reaching the markets of the US and Europe. In the same year, re-exports began to overtake local exports, and from then on, the local territory has to face an ever acceleration of de-industrialization, but out of the void economic space left by the relocated factories, there has also growth at a fast pace expansion of the producer's service sector serving beyond the boundary of the territory. There have been disinvestment and deterritorialization within the narrow administrative boundary of Hong Kong, but also investment and territorialization in its newly developed industrial hinterland. The Hong Kong economic system or the world city of Hong Kong was bigger than the politico-legal entity of Hong Kong under the British rule. The share of manufacturing industries in the local GDP had stayed above 20% from the 1970s up to 1988. Since then it has fallen rapidly to 6% in 1997, a loss of 14 percentage points in a short span of 9 years, while local exports shrunk from the same size of re-exports to only 17% of the latter. The drastic economic structural transformation had led Hong Kong to leave the high growth period of 1978-88 with an average real GDP annual growth rate of 8.3% to a slow-growth period of 3.6% between 1989 and 1997.

Table 6 Industrial System in the China Mainland Controlled and Managed by Hong Kong Firms (by Random Sampling Surveys), 2003 & 2005

		All in China Mainland	Guangdong		
			Total	HK invested firms	Contracted firms
2003	Factories	59,100	53,300	21,300	32,000
	Employment	n/a	10 million	4.75 million	5.04 million
2006	Factories	n/a	102,700	55,200	57,500
	Employment	n/a	9.6 million	5.0 million	4.6 million

Source: *Federation of Hong Kong Industries*, April 2007, Hong Kong.

Sixth, the success of the expanded industrial system of Hong Kong for exports in the cross-boundary areas of the Pearl River Delta region centered on Hong Kong depended on passivity of local industrialization in areas under Mainland jurisdiction. It is true that comparative advantages has determined the internal structure of division of labour of the system, with Hong Kong taking over the corporate control and command functions and the higher value added sector of producer's service and the Mainland serving simply as site for industrial processing (with even components, parts, raw materials, technology & equipment coming from outside, mostly imported through Hong Kong). But in the broader global value chain, Hong Kong has occupied also the lower value added stages of coordination and management of industrial processing plus perhaps logistics and transportation, while the Multinational corporations, or more exactly the lean retailers from the developed markets, controlled the higher value added stages like R & D, product development, design in the upstream and branding, marketing, wholesaling and retailing and after-sales services as well as other consumer services facilitating sales. The pre-1997

Hong Kong government had invested in the supply-side factors like container ports, international airports, universities and technical education, trade exhibition and promotion services and facilities (like Trade Development Council), etc. to strengthen the hold of Hong Kong over the service sector of the cross-boundary system of industrial processing.

However, probably of the short time horizon for the colonial government it had not pursued any industrial policy to extend the local share of the industrial chains of the global system, nor to develop new industries to compensate for the low value added of the buyer-driven industrial processing. The task seems to be undertaken first by the Shenzhen Municipal Government for both local industrial upgrading and development of local producer's services in Shenzhen since the 1990s, and later by the Guangzhou Municipal Government in the same fashion but at a faster pace and larger scale. Even before the handover in 1997, such policies and efforts of the Mainland authorities in the Pearl River Delta region posed a potential threat to the functions and status of Hong Kong as the command-and-control center of the cross-boundary system.

At the same time, outside the Pearl River Delta region, China's open-door policy has broadened and deepened. Other areas of the China Mainland rose to compete with the Pearl River Delta region for foreign direct investment, domestic and overseas markets, skilled and unskilled labour and technologies. The competition has also transformed the industrial scene in the China Mainland. On the one hand, local authorities have competed by providing better incentives, upgraded infrastructural facilities, supporting institutions and complementary local industries, and access to local markets. Location advantages have shifted and changed. The importance of a strong local industrial and service backup and a large pool of skilled labour and even research staff takes the precedence over the cost of labour and land. On the

other hand, by learning and by demonstration effect, local industrialization in most places in the China Mainland had spread widely and as a result had created challenges to the cross-boundary system of industrial processing of Hong Kong in particular and to all foreign invested industrial systems in China in general. Without further investments and upgrading the first-mover advantage of Hong Kong would be lost in the all-out competition by both Chinese Mainland and overseas firms. And Hong Kong's hold over the part of the buyer-driven global value system of labour-intensive products might not be unchallenged, especially when there have not been any effective market entry barrier to protect the vested interests of Hong Kong.

The Handover of 1997: Hong Kong from a British Colony to a SAR of China

The change of the sovereignty in 1997 has not negated the British system the colonial administration had installed in Hong Kong. The one-country two-system replacement represents the emphasis on institutional continuity at least for 50 years instead of revolutionary or reform changes that usually come with regime change. However, the change touches the very foundation of the world city status of Hong Kong. It is no longer part of the global system of either Pax Britannica or Pax Americana. But at the same time the one-country two-system policy and the respect for Hong Kong's autonomy within the unitary political system of China could well deny the incorporation of Hong Kong fully into the national system of China and its emergent global reach. Hong Kong is therefore caught between two systems, not being part of any one of the two and at the same time not able to escape from their influence. The advantage is to be both insider and outsider possibly serving as the bridge and

translator between the two. The disadvantage is being denied of any benefits accruable only to full members of the two systems. The first possibility would enhance the role of Hong Kong as a world city and allow it to ride on the economic and political ascendancy of China. It could then challenge Tokyo to become Asia's world city. The second one would mean marginalization of Hong Kong and the loss of its world city functions and connectivity.

There are fundamental differences between the Chinese Mainland system and the Hong Kong system inherited from the British.

The Mainland system is based on a socialist ideology and a Communist Party revolutionary political regime. In addition, the Mainland legal tradition is a continental one, followed initially the German model. Politically it is not part of any global alliance or system, and is therefore independent from the Pax Americana, and probably in conflict and in confrontation with the latter. Despite China's accession to the WTO and its gradual integration with the world market, which is dominated by the US and its allies, China is not Japan or Germany after the Second World War. Nor is it Russia after the regime change in 1990. It guards its independence and national security, and thus follows strategies of economic, social and political development according to domestic interests and needs, suspicious of any encroachment from outside. Even with the rapid expansion of its trade, investment, cross-border production and overseas financial cooperation and exchange through multi-lateral and bilateral free trade agreements, the emergence of the Chinese Mainland global system remains independent and separated from as well as in competition with other global systems, including the US one.

On the contrary, after the handover Hong Kong could not separate its many ties with the British and US systems. On a policy level, Hong Kong shares a common monetary policy with the US since 1983 through the linked

exchange rate system. More structurally, its common law system has still been linked up with the British common law system to enjoy the benefits of a growing pool of common law cases for enriching and updating the local legislation. It continues to enjoy membership in international organizations, like the WTO, WHO, APEC, and others, that it has acquired under the British sovereignty, but after 1997 without any support whatsoever from the British. It has to honour pre-1997 international ties with other countries and organizations, and remains as a free trade city to all countries and societies, even though some of these countries, societies and organizations might not have friendly relationship with the China Mainland. But being part of China after 1997 has brought difficulties to Hong Kong.

First, it has to respect the political stance of China Mainland in its external relationships. This would mean Hong Kong has to be extremely cautious in its external activities, although the Basic Law has granted its autonomy in all external relations except those involve defense, diplomacy and national security. Hong Kong might not be able to defend or exercise its autonomy fully if it could not win confidence and trust from the central government in Beijing. At least, even in economic, trade and other legitimate areas, Hong Kong could not adopt a position in conflict with that of the China Mainland, and other overseas countries and organizations would probably expect it too.

Second, Hong Kong has to re-establish the trust and confidence from overseas communities that the change in sovereignty would not affect the pre-1997 institutions and policy set up. It could no longer automatically gain any international/overseas recognition for its current and future system and policies simply because of the trust in the British system. It has to earn the recognition, and to overcome any suspicion that the pre-1997 British system might have been modified and annulled. But without the endorsement of the

British (and the US behind), and any active support from the China Mainland, this would be a very formidable task.

Third, the Chinese global system is in the process of ascendancy and would inevitably come into conflict with existing vested interests and other aspiring competitors in the world. The path to global ascendancy would not be easy as evidenced by the example of Japan since the mid-1980s even as a junior partner in the Pax Americana. Any adversaries experienced by China would definitely affect Hong Kong directly or indirectly, and especially in Hong Kong's practices and image as a world city not just of China, but of Asia or the world. The rising Chinese global system is quite small compared with the Pax Americana that inherited Pax Britannica, which has been in world domination for more than one hundred years and it has to fight for its economic and political space against the stronger rival(s). Shifting its membership from the dominant global system to a rising global system, Hong Kong would not only share all the problems the Chinese system would encounter, but probably more problems because it has to earn its full membership in the Chinese system which would perhaps come only at the expense of its advantages coming from the legacy of its British colonial past.

Both the Chinese Mainland and Hong Kong governments have underestimated the scale of the problems Hong Kong would face after 1997. The subsequent events in the first 10 years of the post-1997 period seem to confirm this. The Asian financial crisis as mostly engineered by the US financial capital (and probably the US federal government) damaged Hong Kong alongside with other Asian economies, although the main target of attack seems to be Japan (and South Korea to a lesser extent). But the legacy of the linked exchange rate system of the pre-1997 era imposed a policy and structural rigidity in Hong Kong that it had been unable to overcome the damage as

swiftly as other Asian economies. The SARS epidemic is another unexpected blow. This might not be engineered by any foreign governments, but it posed as a first serious test of the competence and capability of the SAR government and the result was disastrous not only for the government, but also for the image of Hong Kong as a world city.

More importantly, without the support of the British and the global system it belongs to, economic performance of Hong Kong has deteriorated in the 10 years after 1997. Partly it might be blamed on the SAR Government, especially for the lack of strategic investment in the 10 years and worst still the disinvestment even in the public sector under the excuse of alleged long term structural fiscal deficits. But the SAR Government or the Tung administration had not worked in a void; it has worked in an environment full of the difficulties and problems discussed above. The China Mainland had not helped when the fast economic growth, development and liberalization of the Chinese Mainland put additional strains on the Hong Kong economy: causing an intensification of industrial hollowing out that has been extended beyond industrial processing to even producer's service, the very economic foundation of the world city functions of Hong Kong for the cross-boundary production system. The poor economic performance of Hong Kong has therefore been an indicator of the losing of the regional/local economic functions and the world city functions of the city. *Tables 7 and 8* show the absolute and relative economic weakening of Hong Kong. Even for the expanded service industries, per capita value added has not shown improvement. At a regional level, Hong Kong economy has shown a relative decline. If purchasing power parity calculation is used instead of official exchange rate, Hong Kong has lagged behind Guangdong and Guangzhou. If the rapid expansion of the economy of Guangdong had been owing less to the cross-boundary production system

managed and controlled by Hong Kong, the relative decline of Hong Kong in and vis-a-vis Guangdong and Guangzhou would cut into its regional power domination it has enjoyed over the Pearl River Delta region for decades and would probably set off some economic trends (like the substitution of producer's service of Hong Kong and the diversion of a larger share of value added created in the global value system Hong Kong has served) against Hong Kong's function and role as the regional centre.

Table 7 Comparison of GDP of Hong Kong and Other Areas and Countries, 1997 & 2005 (at Current Prices in US\$ billions)

	Hong Kong	Guangdong	Guangzhou	Singapore	South Korea	Thailand
1997	176	94	20	96	516	151
2005	173	285	63	96	788	177

Source: the various governments.

Table 8 Comparison of Per Capita GDP of Hong Kong with Other Areas and Countries, 1997 & 2005 (in US\$)

	Hong Kong	Guangdong	Guangzhou	Taiwan	South Korea	Singapore	Thailand
1997	27,170	1,221	3,056	13,904	10,307	24,600	2,530
2005	25,592	2,983	6,569	15,666	16,422	26,835	2,749

Sources: IFS of the IMF and Executive Yuan, Taiwan.

Although there have been recovery of the economy towards the 10 year anniversary of the handover through direct subsidies from the China Mainland, like the CEPA and listing and share trading of Mainland companies in the local stock exchange to create direct increase in local demand and indirectly improvement of economic confidence for consumption and investment, Hong

Kong has still lost a whole 10 years of development. The period from 1997 and 2007 is a full circle of non-performance. It might not be sure that the financial stimulus from the China Mainland in 2007 would be more sustainable and beneficial to Hong Kong, both economically and as a world city. At least the 10 years has further narrowed the economic structure of Hong Kong, cutting the manufacturing base to economic insignificance and focusing overwhelmingly the growth engine of the local economy to the finance sector and re-export trade for the China Mainland. Hong Kong seems to come a large full circle back to its role as China's entrepot trading port of the pre-1949 era, albeit at a much larger scale.

Table 9 Hong Kong GDP by Economic Activities, 1990, 1997 & 2005
(in % of Total)

	1990	1997	2005
Manufacturing industries	16.7	6.0	3.4
Servicing industries	75.4	85.9	90.7
Of which, Import & export trade	14.5	17.0	22.5
Restaurants & hotels	4.3	3.3	2.7
Transportation & storage	7.0	6.3	8.2
Finance & insurance	6.6	10.3	12.7
Business services	3.4	4.5	4.7
Community, social & personal	14.1	17.0	19.3

Source: Hong Kong Census and Statistics Department.¹¹

¹¹ Hong Kong Census and Statistics Department (<http://www.censtatd.gov.hk/home/index.jsp>) (2007/11/28).

Table 10 Per Capita Value Added of 4 Major Industries in Hong Kong from Local GDP, 1997/98, 2003 & 2005 (in HK\$ 10,000)

	1997	1998	2003	2005
Financial services	78.08	70.97	88.67	95.20
Banking	115.19	114.05	142.24	142.84
Insurance	35.92	33.43	44.50	38.27
Tourism		24.02	19.80	26.20
Inbound		21.34	16.87	23.22
Trade & logistics		35.67	41.20	46.07
Trade	39.38	39.38	44.55	49.87
Logistics		24.73	30.97	34.23
Professional & other business services		48.62	35.24	38.02
Professional services	40.62	39.46	33.67	36.79
Other business services		53.53	36.09	38.73
4-industry average		42.13	43.20	47.72

Source: Hong Kong Census and Statistics Department.¹²

Table 11 Employment Shares of 4 Major Industries in Hong Kong, 1997/98, 2003 & 2005

	1997	1998	2003	2005
Financial services	5.4%	5.4%	5.2%	5.3%
Banking	2.6%	2.6%	2.2%	2.2%
Insurance	1.0%	1.1%	1.2%	1.3%
Tourism		3.4%	4.3%	4.8%
Inbound		2.7%	3.6%	4.1%
Trade & logistics		24.5%	23.9%	24.7%
Trade	18.7%	18.3%	18.0%	18.6%
Logistics		6.2%	5.9%	6.0%
Professional & other business services		9.8%	10.9%	11.0%
Professional services	3.6%	3.4%	3.9%	4.0%
Other business services		6.4%	7.0%	7.0%
4-industry average		43.0%	44.3%	45.8%

Source: Hong Kong Census and Statistics Department.¹³¹² *Ibid.*¹³ *Ibid.*

The weakening of the producer's service and command and control functions of Hong Kong might be reflected in the lackluster performance, or relative decline when compared with the past, of the Hong Kong banking sector both locally and regionally for the cross-boundary production system. The growth of the Hong Kong financial sector or the financialization of the Hong Kong economy in the post-1997 era has been found almost entirely in the securities market.

In the banking sector, Hong Kong has become a net receiver of funds from the Mainland. Loans extended from Hong Kong to overseas uses have been declining substantially. Partly it has been the outcome of financial deregulation after the Asian financial crisis for countries like Japan and Korea, which have no longer relied upon Hong Kong as its offshore financial market. Partly it might be the lesser demand for Hong Kong loans by firms, registered in Hong Kong or otherwise, moving into the China Mainland for investments. In the last few years, the blooming Chinese Mainland economy, including its stock markets, has attracted funds to come to Hong Kong and use the Hong Kong dollar and Hong Kong dollar assets as the proxy for an investment tool in the renminbi and renminbi assets. This explains the increase in domestic deposits in recent years and is reflected in the bullish performance of the local stock exchange which trades in shares of many Mainland companies listed locally.

The number of overseas banks and financial organizations has declined in Hong Kong, signifying the correspondent decline in the degree of internationalization of the Hong Kong financial centre. *See Table 15.*

Table 12 Loans/Credits of Authorized Institutions (Licensed Banks, Restricted Licensed Banks and Deposit-taking Institutions), 1997 & 2006 (in HK\$ millions)

	Foreign trade financing	Merchandising trade not touching Hong Kong	Total loans & advances for use in Hong Kong*	Total other loans for use outside Hong Kong
End June 1997	175,017	21,007	1,915,477	1,909,819
End December 2006	130,307	21,752	1,974,181	360,342

* that have direct impact on the level of economic activities in Hong Kong, and either made available or disbursed in Hong Kong and by the principal business location of the customers.

Source: Hong Kong Monetary Authority.¹⁴

Table 13 Ratios of Total Bank Loans and Stock Market Capitalization to GDP in Hong Kong, 1997 & 2006

	Total bank loans to GDP	Stock market capitalization to GDP
1997	302%	235%
2006	173%	906%

Source: Hong Kong Census and Statistics Department.¹⁵

¹⁴ Hong Kong Monetary Authority (http://www.info.gov.hk/hkma/new_hk_banknotes/eng/index.htm) (2007/11/28).

¹⁵ Hong Kong Census and Statistics Department (<http://www.censtatd.gov.hk/home/index.jsp>) (2007/11/28).

Table 14 Sources of Hong Kong Funds and the Contribution from the Mainland, 2000-2005 End of Period

HK\$ billion	2000	2001	2002	2003	2004	2005
Total HK\$ funds of the banking sector	2324	2336	2323	2369	2505	2649
Change during the year	124	12	-13	46	135	144
Net HK\$ funds from Mainland	136	94	70	89	64	94
% of total funds	5.9%	4.0%	3.0%	3.7%	2.6%	3.5%
Change during the year	72	-43	-24	19	-24	29
% of change of total funds	58.1%	n/a	184.6%	41.3%	n/a	20.1%

Note: Total HK\$ funds include deposits, net balances due to banks abroad, and capital, reserves and other liabilities.

Source: Hong Kong Monetary Authority.¹⁶

Table 15 Overseas Financial Institutions in Hong Kong, 1997 versus 2006

	Licensed banks		Restricted licensed banks		Deposit-taking companies		all		Local representative offices
	local	over-seas	local	over-seas	local	over-seas	local	over-seas	
July 1997	31	152	38	26	118	2	367	180	159
May 2007	24	115	17	13	31	0	200	128	84

Source: Hong Kong Monetary Authority.¹⁷

¹⁶ Hong Kong Monetary Authority (http://www.info.gov.hk/hkma/new_hk_banknotes/eng/index.htm) (2007/11/28).

¹⁷ *Ibid.*

The recent expansion of the local securities market and the rise of the IPO market to only second to London in 2006 are not the sign of enhanced internationalization of the local markets, but instead as the expansion and rise have been driven by the Chinese Mainland companies listed locally with political approval from the China Mainland government, Hong Kong's financial market has become ever more dependent on the Mainland factor and on the policy of the central government in Beijing. This could be regarded as Mainland-ization rather than internationalization and in the process, mainland-ization could well crowd out internationalization. If there is a shift in the central government's policy, for example the withdrawal of Mainland companies from the securities market of Hong Kong or a freeze of their listing in Hong Kong, Hong Kong would definitely and quite seriously be damaged in its role as a financial market linking up the China Mainland and the outside world.

Table 16 Ratios of H-shares and Red Chip Shares to Total Market Capitalization of the Hong Kong Exchange (Main Board Only), 1993-2007 (in HK\$ billions)

	H-shares & red chip shares combined	
	Market capitalization	% of total capitalization
1993	142.4	4.78
1994	104.2	5.00
1995	127.1	5.42
1996	294.8	8.48
1997	521.5	16.29
1998	368.4	13.84
1999	998.8	21.13
2000	1,288.6	26.87
2001	1,008.6	25.96
2002	935.6	26.29
2003	1,600.8	29.23
2004	1,864.5	28.13
2005	2,990.4	36.86
2006	6,315.3	47.67
2007 (up to end May)	6,793.4	45.79

Source: Hong Kong Exchange.¹⁸

¹⁸ Hong Kong Exchange (<http://www.hkex.com.hk/index.htm>) (2007/11/28).

Table 17 Ratios of Transactions of H-shares and Red Chip Shares to Total Turnover of the Hong Kong Exchange (Main Board Only), 1993-2007 (in HK\$ Billions)

	H-Shares & red chip shares combined		Of which, respective % of	
	Turnover	% of total turnover	H-Shares	Red Chip shares
1993	121.3	11.07	3.01	8.05
1994	91.7	8.91	3.32	5.59
1995	63.1	8.29	2.27	6.02
1996	160.2	12.45	1.93	10.52
1997	1,341.4	38.19	8.48	29.71
1998	442.9	27.74	4.61	23.13
1999	457.6	25.81	5.80	20.01
2000	839.1	29.34	5.74	23.60
2001	742.4	40.77	13.47	27.31
2002	449.0	30.54	9.50	21.04
2003	995.4	43.92	22.12	21.79
2004	1,548.5	45.58	27.49	18.10
2005	1,552.9	43.29	26.46	16.83
2006	3,622.2	56.39	39.26	17.13
2007 (up to end May)	2,617.4	59.08	42.35	16.73

Source: Hong Kong Exchange.¹⁹

¹⁹ *Ibid.*

Table 18 Total Funds Raised for H-shares and Red Chip Shares in the Hong Kong Exchange, 1993-2007 (in HK\$ Billions)

	H-shares	Red chip shares	Combined
1993	8.1	15.0	23.1
1994	9.8	13.2	23.0
1995	2.9	6.6	9.5
1996	7.8	19.0	26.8
1997	33.0	80.9	113.9
1998	3.5	17.3	20.8
1999	4.2	55.1	59.3
2000	51.7	293.6	345.3
2001	6.0	19.0	25.0
2002	16.8	52.7	69.5
2003	46.8	4.8	51.6
2004	59.2	26.3	85.5
2005	158.6	22.3	180.9
2006	303.8	50.7	354.5
2007 (up to end May)	44.7	16.1	60.8

Source: Hong Kong Exchange.²⁰

In the non-financial service sector of Hong Kong, the main drivers of growth, foreign trade, logistics (with business services serving both) and in-bound tourism, Hong Kong has become in the last 10 years heavily dependent on the Mainland factor as clearly shown in *Tables 19* and *22*. At the same time the entrepot trade functions of Hong Kong for the China Mainland have also come under fierce competition from other Chinese cities, including Shenzhen in the same Pearl River Delta region with Hong Kong. In container port services in particular, Hong Kong has already been taken over by

²⁰ *Ibid.*

Shenzhen. If other ports and not just container ports in the Pearl River Delta region are considered together, Hong Kong's role in the region has fallen into the supplementary and secondary position with a chance of further marginalization in the future years if no more port facilities to be constructed at a time of rapid expansion of capabilities of the Chinese ports in the region and along the coastal region of China. Even for visitors from the Mainland, which have been flooded into Hong Kong after the policy liberalization by the central government in Beijing in 2003, Hong Kong could not compete with Macau, which has an economic size much much smaller than Hong Kong. The China Mainland factor has been crucial for the economic recovery lately, but it further mainland-ized Hong Kong at the expense of its internationalization, and it might not be sustainable. What the SAR government has been repeated said as the evidence of the continued internationalization or middle-man functions for the China Mainland is the increase in the number of regional offices of overseas corporations in Hong Kong. *See Table 23.* The government however could not show whether there is a large increase in employees employed or deployed in these regional offices. An anecdotal understanding is that the size of these regional offices have been much smaller than before 1997 and their operations in the China Mainland.

Table 19 The Role of Mainland Re-exports for the Hong Kong Economy, 1997 & 2006 (in HK\$ Billions)

	1997	Proportion	2006	share
GDP	1336	100%	1474	100%
Re-exports	1185	86.9%	2326	157.8%
Re-exports from Mainland	723	54.1%	1461	99.1%

Source: Hong Kong Census and Statistics Department.²¹

Table 20 Container Turnovers of Ports of Hong Kong, Shanghai, Shenzhen and Singapore, 1997 & 2006 (in 10,000 TEUs)

	Hong Kong	(seaborne)	Shanghai	Shenzhen	Singapore
1997	1,460		253	115	1,414
2006	2,354	1,601	2,172	1,847	2,479

Source: Hong Kong Census and Statistics Department, Hong Kong Marine Department, Statistical Yearbooks of Shanghai, Shenzhen and Singapore.

Table 21 Air Cargo Turnover of Hong Kong, Singapore, Shanghai and Shenzhen, 1998 & 2006 (in Million Tones)

	Hong Kong	Shanghai	Shenzhen	Singapore
1998	1.63	0.48	0.06	1.28
2003	3.58	2.53	0.56	1.83

Sources: General administration of Civil Aviation of China, Hong Kong Census and Statistics Department, Statistical Yearbooks of Shanghai and Shenzhen.

Table 22 Visitor Arrivals in Hong Kong by Country/Territory of Residence, 1997 & 2006 (in Thousand Persons)

	Mainland	Japan	UK	USA	Total
1997	2,297	1,369	340	801	10,406
%	22.1%	13.2%	3.3%	7.7%	100%
2006	13,591	1,311	516	1,159	25,251
%	53.8%	5.2%	2.0%	4.6%	100%

²¹ Hong Kong Census and Statistics Department (<http://www.censtatd.gov.hk/home/index.jsp>) (2007/11/28).

Source: Hong Kong Census and Statistics Department.²²

Table 23 Regional Offices of Overseas Corporations in Hong Kong,
1997 & 2006

1997	903
2006	1,228

Note: Prior to 2005, figures refer to country/territory where parent companies are incorporated. As from 2005, figures refer to the country/territory where companies are located.

Source: Hong Kong Census and Statistics Department.²³

A Preliminary Conclusion

Hong Kong has been losing its multi-scalar importance, role of articulation, and control and command functions that it had possessed before 1997 and which defines its world city status.

The current process of mainland-ization, both by market forces through competition and by conscious government policy actions like the CEPA, by its nature should not crowd out internationalization of the local economy and society, if not for the politically inspired policies of the post-1997 SAR Government. It seems that the SAR government is more concerned with mainland-ization, not just the one-way bias of the CEPA but also the involvement in the Pan-Pearl River Delta regional cooperation initiated by Guangdong (not the central government in Beijing, which has also not given the regional scheme its official endorsement). Despite the aggressive move for

²² Hong Kong Census and Statistics Department (<http://www.censtatd.gov.hk/home/index.jsp>) (2007/11/28).

²³ *Ibid.*

regional and bilateral free trade agreements of its traditional rival of Singapore and the sudden shift in policy of the China Mainland to embrace free trade agreements, Hong Kong has yet refused to start any negotiations (even when it was approached by New Zealand). It continues to stick to the vague and out-dated conception of free trade that the British colonial government taught it. Nor has it taken any active measures to consolidate, not to mention to improve, its pre-1997 international image and world city functions. The fiscal contractive policy it has adopted in the aftermath of the Asian financial crisis has caused the narrowing of the gap in infra-structural facilities, human capital, producer's service and other world city functions with cities in the Pearl River Delta region, a consequence of which would probably be the dismantlement of the cross-boundary production system managed and controlled by Hong Kong and which has provided the revenues/resources and demand for its world city functions.

When the China Mainland completes its free trade agreement with the ASEAN countries (plus the Pan-Beibuwan regional cooperation scheme put forth by the Guangxi government and endorsed and supported by the central government in Beijing), and other countries (including Japan, Korea and others), Hong Kong might be marginalized not only in the world, but also in China, downgrading itself from a world city to a provincial city struggling to compete with Shenzhen (Skeldon, 1997). This might be the unintended consequence of the handover in 1997. But since the narrowly oriented mainland-ization of Hong Kong in the past 10 years has more been a choice made by the SAR government, first by neglecting internationalization and second by disinvestment, a reversal in policy could be possible, but to be possible much efforts have to be spent by Hong Kong as a whole, not just the SAR Government, and there should be an excellent strategy and effective

policies to grasp the opportunities and to overcome obstacles offered by the external environment (the Chinese and US global systems and their conflict and cooperation).

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亞洲世界城市之香港——九七之後的發展趨勢

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摘 要

香港在英國的治理下逐漸成爲一個世界城市。然而，政權的移轉對香港仍造成了一些不利的影響；一國兩制政策使香港無法完全納入中國的體系，1998 年的金融危機和 2003 年的 SARS 疫病，更重挫香港的世界城市形象。過去 10 年來，受到大陸對經濟復甦的關鍵因素影響，香港的經濟表現下滑；香港在逐步大陸化的趨勢中，付出了失去其國際化的代價。在面對其競爭對手積極參與區域和雙邊自由貿易協定，以及大陸在自由貿易政策上的動作，香港卻未採取任何協商舉動，或是建立其 1997 之前的形象。本文主張香港必須把握機會，並且有效率地處理環俟之中國和美國全球體系。

關鍵字：世界城市、香港、1997 政權移轉、全球化