

Hong Kong as a World City: Assessing its Attractiveness to Global Talent

Christine Loh

Kee Foong

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Civic Exchange

Civic Exchange is a non-profit organisation that helps to improve policy and decision-making through research and analysis.

Room 701, Hoseinee House, 69 Wyndham Street, Central, Hong Kong

Tel: (+852) 2893 0213 Fax: (+852) 3105 9713

URL: www.civic-exchange.org

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I. Introduction

The world economy today operates on a high degree of integration. Trade, investments and diffusion of technologies are now global. A growing proportion of the world's workforce depends on faraway markets, sources of capital and know-how. At the same time, the world's best human resource talent is becoming increasingly mobile. One of the great competitiveness battles among economies is over creative talent. Since competitiveness and creativity go hand in hand, a sign of a city's attractiveness is the extent of flow of people wanting to visit and relocate to it. For much of the last century, Hong Kong received a tremendous flow of people from mainland China who left to escape war, civil war, revolution, poverty and to look for better opportunity.¹ The flow continued until the last couple of years when the rate appears to be slowing substantially. Migration from Hong Kong was significant in the 1980s and up until 1997 due to fear of the political repercussions of the Handover from British to Chinese rule, but that fear has eased and some of the migrants have returned to Hong Kong. There are signs that Hong Kong is depopulating² although the number of visitors, primarily from mainland China, has increased dramatically over the last few years as China now allows more people to travel. How should these factors be viewed and what considerations should policy-makers take into account in mapping out Hong Kong's future development from the perspective of retaining and attracting global talent as part of its population policy?

This paper examines Hong Kong's connectivity to the world and the city's degree of attractiveness as a global talent magnet. This paper looks at the theory of world/global cities as Hong Kong is classed as a 2nd tier world/global city, and examines the attributes of two undisputed leading cities, London and New York for insights. This paper also looks briefly at a number of international indices on globalization, competitiveness, creativity and economic freedom and compares Hong Kong's rankings. In the concluding section, specific issues are raised for policy-makers to consider how Hong Kong may cement its reputation as a world/global city that continues to expand its ability to connect and attract the most productive and innovative talent.

II. Concept of 'world' or 'global' city

Hong Kong proclaims itself as 'Asia's world city'.³ There is no dispute that Hong Kong is one of the most important Asian cities from a connectivity perspective. As such, it

¹ This paper does not deal with the historical patterns of migration to and from Hong Kong but we recommend the works of Ronald Skeldon, such as *Reluctant Exiles?: Migration from Hong Kong and the New Overseas Chinese*, (ed.), 1994, Hong Kong University Press; and *China: From Exceptional Case to Global Participant*, Migration Policy Institute, April 2004, <http://www.migrationinformation.org/Profiles/display.cfm?ID=219>

² See Paul SF Yip, Joseph Lee and CK Law, *Hong Kong's Challenge: Impact of Population Change*, Civic Exchange, April 2005, <http://www.civic-exchange.org/publications/2005/pop%20-%20yill.pdf>

³ London began to promote itself as a 'world city' in the late 1980s. The HKSAR Government first used the term 'world-class' city in the Chief Executive's 1999 Policy Address (paragraphs 43-52). This term has also been used by the Corporation of London to describe London. David A Smith points out that many political and civic leaders aspire their city to world/global city status because they see the label as representing economic dynamism and growth, "The World Urban Hierarchy: Implications for Cities, Top to Bottom", *The Brown Journal of World Affairs*, Volume XI, Issue II, Winter/Spring 2005, pp.45-55.

qualifies as a 'world city' or 'global city' in the way that the terms have been framed. However, there is some concern in Hong Kong about the city's future development as to whether it will forge ahead among the premier league of world/global cities or fall behind because of a change of status from being linked to the United Kingdom to being linked to the People's Republic of China. The reason for having such a concern despite the fact that China is the fastest growing economy in the world is that the People's Republic operates on a different ideological philosophy that restricts information, ideas and relationships that the government sees as politically incorrect, whereas the globalising world economy appears to increasingly favour intangibles (information, knowledge, experience, diversity, ideas, relationships, networks, opportunity, copyright, open standards, markets, securities, derivatives, entertainment, devolution, communities) over hardware. A constant debate in Hong Kong is whether over time, it will become more restrictive so as to avoid subjects and areas that are considered politically incorrect by the Central People's Government in Beijing.

Definitions of a world city or global city

The terms 'world city' and 'global city' are often used interchangeably. The concept is of relatively recent vintage, with seminal works appearing only in the last twenty years. Two of the pioneering proponents of world/global city theory saw these cities as the loci for the management of global capital (Friedmann), and the servicing of it (Sassen).⁴ Subsequently, the term 'mega-city' was also introduced (Dogan and Kasarda), which suggested that huge cities demographically epitomised the metropolitan explosion in the developing world as rural populations migrate to the cities in search of work.⁵

The formation and growth of world/global cities is seen to be triggered by global economic change i.e. 'globalisation'. Scholars found that the world-wide networks of production, finance, trade, power and migration require nodal points providing the infrastructure, information and financial resources that make the networks work. Therefore, they mostly classified world/global cities by economic criteria, of which three categories were highlighted:

- ◆ **Institutions:** presence and size of stock exchanges, banks, international law firms and other producer service providers;
- ◆ **Connectivity:** linkages to global networks, visitors, passenger flights, long distance calls, financial transactions and Internet usage; and
- ◆ **Power:** location of regional headquarters, decision-making within corporate command and control chains and supranational institutions.⁶

⁴ John Friedmann, "The World City Hypothesis", *Development and Change*, 4 (1986) pp.12-50, first introduced the concept of the world city and Saskia Sassen provides definitional difference between a world and a global city by noting that while all of today's global cities are world cities, there may well be some global cities today that are not world cities in the fullest sense in terms of its organizing hypothesis, see "The Global City: Introducing a Concept", *The Brown Journal of World Affairs*, Volume XI, Issue II, Winter/Spring 2005, pp.27-43.

⁵ Mattei Dogan and John Kasarda, *The Metropolis Era: A World of Giant Cities*, Volume I; and *Mega-Cities*, Volume II, Newbury Park, California, Sage (1988). See David A Smith, "The World Urban Hierarchy: Implications for Cities, Top to Bottom" for a critical analysis of the term 'mega-city', *The Brown Journal of World Affairs*, Volume XI, Issue II, Winter/Spring 2005, pp.45-55.

⁶ We have taken the summary of world/global cities characteristics from W Breitung and M Gunter, *Local and Social Change in a Global City: The Case of Hong Kong*, GaWC Research Bulletin 159, 15/12/2004, <http://www.lboro.ac.uk/gawc/rb/rb159.html>

The global networks are viewed as a system of nodes and links, with cities represented as the nodes, and the flows and power relationships between them represented as the links. The networks are seen to grow with the number of links, thereby at the same time nurturing the main nodes, which serve as points of control and provide expertise and services in crucial fields such as international law, finance, accounting and travelling. Another characteristic of these cities is the intensity of transactions among them, as well as the emergence of their geographic dispersal to creating both domestic and cross-boundary growth corridors.⁷

As such, a hierarchy of world/global cities was created in 1999, based on the level of advanced professional services firms: accountancy, advertising, banking and finance, and law.⁸ Using this criteria, they went on to rank London, Paris, New York and Tokyo as the top four 'Alpha' world cities, followed by Chicago, Frankfurt, Hong Kong, Los Angeles, Milan and Singapore in the next 'Alpha' tier ahead of Beta and Gamma world cities.⁹

The above measures are limiting in only focusing on the economic and on markets. More recent studies include social and cultural attributes. It has been noted that the role and international contacts of world/global cities produce certain non-economic traits, which are also characteristics for these cities:

- ◆ **Temporary immigration:** creating an international atmosphere, a mix of cultures and life-styles and often socio-economic polarisation;
- ◆ **A world/global city culture:** notably in the central business district (CBD), which is often described as lacking local characteristics; and
- ◆ **A quality of life:** at least in parts of the cities, that appeals to foreign experts, managers and diplomats.¹⁰

In summary, world/global cities may be evaluated according to degree of concentration of central command functions, concentration of the 'creative class', projection of power and dominance, and degree of diversity and inclusiveness.

⁷ Examples include the Pearl River Delta, the Yangtze River Delta, Sao Paulo in the Mercosur free-trade area, and the Iran-Dubai 'Hormuz' corridor.

⁸ The original research by the Globalization and World Cities Study Group and Network (GaWC) proposed three measurements to study relations between world cities and their hierarchy:

(i) Surrogate measure by content analysis of business news to determine the importance of a city from a business perspective; (ii) Labour measure of skilled inter-city migration [skilled international labour migration is vital to and an outcome of being a world city, but is also a significant factor responsible for globalising and restructuring world city labour markets]; and (iii) Organisational measure of the scope of advanced producer services, in particular financial and other tertiary services such as legal and accounting, and the location of regional or head offices. In the follow up Research Bulletin 5 however, they used only the scope of advanced producer services to rank cities – see, JV Beaverstock, RG Smith and PJ Taylor, *A Roster of World Cities*, GaWC Research Bulletin 5, 28/7/1999, <http://www.lboro.ac.uk/gawc/rb/rb5/html>

⁹ Ibid, see Table 7, 28/7/1999, <http://www.lboro.ac.uk/gawc/rb/rb5/html>.

¹⁰ W Breitung and M Gunter, *Local and Social Change in a Global City: The Case of Hong Kong*, GaWC Research Bulletin 159, 15/12/2004, <http://www.lboro.ac.uk/gawc/rb/rb159.html>

Degree of concentration of central command functions

World/global cities have a very high density of business networks and a culture of intense business networking that continues to thrive even when simultaneous global communication is possible. Their economies are driven by top level financial, legal, accounting, executive and planning functions necessary to run corporations operating in multi-locations around the world. This reflects the global nature of capital's ability to transcend geographic boundaries. The dispersal of capital around the globe requires complex and central strategic functions to be undertaken by firms. These central functions are partly embedded in corporate world or regional headquarters, but also often outsourced to what may be described as the 'corporate services complex', that is the network of financial legal, accounting, advertising firms that provide services to firms with businesses in many different jurisdictions and cultures. The agglomeration of providers for central command functions is disproportionately concentrated in world/global cities. These service providers in effect constitute a distinct corporate sub-sector. This means that specialised service firms have to provide a global service, creating a global network of affiliates and partners. Sassen points out that "such concentrations of functions represent a strategic factor in the organization of the global economy, and they are situated in an expanding network of global cities".¹¹

Degree of concentration of the 'creative class'

On the basis that world/global cities are the hubs for central command functions as discussed in the foregoing paragraph, those who contribute to these functions, as well as other knowledge workers, have been described as the 'creative class' who cover the fields of science, engineering, education, architecture, design, arts, music, entertainment, law, business, finance, health care and related fields. This class' function is to create new ideas, new technology, and new creative content. As such, this is distinct from the 'service class', who mainly provide support functions. Thus, not all workers in services are part of the creative class. In general this group shares common characteristics, such as creativity, individuality, diversity, and merit.¹² 'Creative class' workers are of course not just found in world/global cities although the degree of concentration of such people is highest in cities and regions that are the most competitive and creative. Thus, tracking where the world's creative talents are going is a way to gauge a city's growing or declining attractiveness. The creator of the term 'creative class' emphasized that the concept is neither elitist nor exclusionary because creativity is in fact a 'great leveller'.¹³ From this perspective, the top world/global cities are not necessarily the biggest magnets. In terms of countries, Ireland, Belgium, Australia, Netherlands, and New Zealand ranked well in capturing global talent in recent years.¹⁴

¹¹ Saskia Sassen, "The Global City: Introducing a Concept", *The Brown Journal of World Affairs*, Volume XI, Issue II, Winter/Spring 2005, pp.27-43.

¹² Richard Florida, "The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community and Everyday Life", Perseus Books Group; 1st edition (April, 2002).

¹³ Richard Florida, "The Flight of the Creative Class: The New Global Competition for Talent", Harper Business, (2005), pp.34-37.

¹⁴ Ibid, p.278. Some countries have not been measured due to lack of data, and it seems Singapore was not measured.

Projection of power and dominance

Apart from its commercial characteristics, world/global cities have a sense of sacredness of place, as well as projecting a sense of power and identity that distinguishes it from others. In today's world, the sense of sacredness is expressed through towering commercial buildings and evocative cultural structures that inspires a sense of wealth and civic strength as well as the existence of stable and sound political, legal, regulatory and other related mechanisms to protect investments. World/global cities are also centres of cultural activities and entertainment. They must also flourish under law and order where people feel secure. In other words, to achieve global greatness a city must be "sacred, safe and busy".¹⁵ Another way of putting it is that world/global cities must exude power and dominance. Increasingly, there is a growing demand for world/global cities to also be relatively healthy in terms of the natural environment.

Degree of diversity and inclusiveness

World/global cities are places where humanity congregates, which is the key driver for their diversity in virtually every aspect of the human condition. Diversity is increasingly being seen as a source of creativity and innovation. It is of course also a source of connectivity. To date, however one measures world/global city status, London, Paris, New York and Tokyo come up top of the 'Alpha' league. London, Paris and New York are ethnically and culturally diverse as well as tolerant of many lifestyles and pursuits that span across all fields of human endeavours. Tokyo is ethnically and culturally much more homogenous but it has the most diverse lifestyles and pursuits among Asian cities. All these cities are considered 'hip' and generate ideas, icons and brands that have an impact far beyond their own countries' cultures. They represent much more than the business world. They are centres of global civil society organizing as well that are directed at the world's establishment in business and politics. In other words, they are also homes and organizing centres for dissent and the politically incorrect for these activities too indicate potential creativity.

On the socio-economic front, the 'Alpha' world/global cities are rich but parts of these cities face uneven growth, poverty and widening inequality. The large numbers of high-income professions and high profit-making firms have the effect of raising the degree of spatial and socio-economic inequality between those who have the attributes to engage in global activities and those who do not.¹⁶ The most disadvantaged are often migrants who are excluded from the benefits of urban living and feel a great sense of alienation.¹⁷ Poverty, inequality and alienation are potential sources of conflict and instability. The success of cities and their authorities are therefore also judged by how well they deal with the social divide.

¹⁵ Joel Kotkin, "Will Great Cities Survive?", *Wilson Quarterly*; Spring 2005, Vol. 29 Issue 2, p.16.

¹⁶ Saskia Sassen, "The Global City: Introducing a Concept", *The Brown Journal of World Affairs*, Volume XI, Issue II, Winter/Spring 2005, p.30.

¹⁷ Greater London Authority, "London Divided: Income inequality and poverty in the capital – summary", November 2002.

http://www.london.gov.uk/mayor/economy/docs/london_divided_summary.pdf

III. Various measurements of competitiveness

There are various international indices that seek to rank the degree of globalization, competitiveness, creativity and economic freedom. Some of them rank countries rather than cities although a number of them include Hong Kong but not London and New York (or for that matter other cities). However, some countries are small in size, such as Singapore; and others are small in populations, such as Denmark and Iceland, both types of which offers useful reflection for Hong Kong. What is clear from these indices is that the top 20 rankings are occupied by the same economies.¹⁸ Indeed, Hong Kong is among the best in the developed world but competition is intense and a drop in rankings may represent systemic weakness that needs urgent fixing before others surge ahead.

Measuring globalization

The A T Kearney/Foreign Policy Globalization Index measures the degree of economic integration, personal contact, technological connectivity and political engagement to rank a country's level of globalization.¹⁹ Over the last three years, Ireland, Singapore and Switzerland have dominated the first three places. Among the top ten were the Netherlands, Denmark, Sweden, Finland, Austria, Canada, the United States and United Kingdom. The smaller countries in general scored well with economic, personal contact and technological connectivity, while the large countries do better on political engagement although Sweden and Austria have exceptionally strong track records in international political engagements. If Hong Kong had been measured, it would likely have done well based on what this index measures.

Measuring economic competitiveness

The annual Global Competitiveness Report (GCR) is published by the World Economic Forum in collaboration with the Centre for International Development at Harvard University and the Institute for Strategy and Competitiveness, Harvard Business School. It focuses on global competitiveness as "the set of institutions and economic policies supportive of high rates of economic growth in the medium term",²⁰ as well as using microeconomic indicators to measure the "set of institutions, market structures, and economic policies supportive of high current levels of prosperity," referring mainly to an economy's effective utilisation of its current stock of resources.²¹ There are in

¹⁸ All the rankings include China, which scores low in all the indices although it is the fastest growing economy in the world today.

¹⁹ The Index measures a variety of aspects of activities to assess the degree of a country's integration in the world. The aspects it measures are trade and foreign direct investments, international travel and tourism, international telephone traffic, remittances and personal transfers, membership of international organizations, personnel and financial contributions to UN peacekeeping missions, international treaties ratified, governmental transfers, internet users, internet hosts and secure servers.

See http://www.atkearney.com/shared_res/pdf/Measuring_Globalization_S.pdf for 2003;

http://www.atkearney.com/shared_res/pdf/2004G-index.pdf for 2004; and

http://www.atkearney.com/shared_res/pdf/2005G-index.pdf for 2005.

²⁰ Prior to 2000, reporting was done based on an overall index using this approach that was known as the Competitiveness Index. Starting with the 2000 Report, this measure was relabelled the GCI. See Global Competitiveness Report 2001- 2002

<http://www.cid.harvard.edu/cr/pdf/GCR0102%20Exec%20Summary.pdf>

²¹ Global Competitiveness Report 2001-2002

<http://www.cid.harvard.edu/cr/pdf/GCR0102%20Exec%20Summary.pdf>

effect two indices – the Growth Competitiveness Index (GCI) and Business Competitiveness Index (BCI) formerly called the Current Competitiveness Index (CCI).

The GCR has noted that for high-income economies, global competitiveness is critically linked to high rates of social learning and the rapid ability to shift to new technologies, and generate high rates of innovation and commercialization of new technologies. It further noted that:

“Successful economic development is thus a process of successive upgrading, in which business and their supporting environments co-evolve, to foster increasingly sophisticated ways of producing and competing. Seeing economic development as a sequential process of building not just macroeconomic stability but also interdependent factors such as quality of governance, societal capacity to advance its technological capability, more advanced modes of competition, and evolving forms of firm organizational structure, helps to expose important potential pitfalls in economic policy. To evolve successfully through different levels of development, key parts of the economic environment must change at appropriate times. Lack of improvement in any important area can lead to a plateau in productivity and stalled economic growth”.²²

In the 2000 GCI, Hong Kong ranked 7th but it dropped to 13th place in the 2001 index. Over the same period, Singapore dropped from 2nd to 4th place and Ireland from 4th to 11th place. It was noted that their downward shift was due to “looming challenges in making the transition from investment-based to innovation-based growth”.²³ In terms of the CCI, Hong Kong was in 18th place for the 2001 report, with Finland in 1st place and Singapore in 10th place. In 2002, Hong Kong ranked 17th but dropped further to 24th in the 2003 GCI.²⁴ Hong Kong’s falling ranking appeared to have been due to its weakness in the GCI’s technology measurements ranking in 37th place in 2003. In the latest report for 2004, Hong Kong’s GCI ranking had crept back up from 24th to 21st place with improvement in the technology measurement rising to 34th place. In 2004, Hong Kong ranked 11th in the BCI.²⁵

Measuring human development

The Human Development Index (HDI) is prepared by the United Nations and an annual report is released measuring life expectancy, adult literacy, schooling and education and GDP. The top 15 ranks for 2004 were Norway, Sweden, Australia, Canada, Netherlands, Belgium, Iceland, United States, Japan, Ireland, Switzerland, United Kingdom, Finland, Austria and Luxembourg. Hong Kong was ranked 23rd and

²² Ibid, page 17.

²³ Ibid, page 19. The top 15 rankings in 2001-2002 under the GCI were Finland, US, Canada, Singapore, Australia, Norway, Taiwan, Netherlands, Sweden, New Zealand, Ireland, UK and Hong Kong, Denmark and Switzerland.

²⁴ See http://www.iese.edu/en/files/6_7341.pdf, p.4. The top 15 rankings in the 2002-2003 report were the US, Finland, Taiwan, Singapore, Sweden, Switzerland, Australia, Canada, Norway, Denmark, UK, Iceland, Japan, New Zealand and Netherlands. The top 15 rankings in the 2003-2004 report were Finland, US, Sweden, Denmark, Taiwan, Singapore, Switzerland, Iceland, Norway, Australia, Japan, Netherlands, Germany, New Zealand, and UK.

²⁵ Global Competitiveness Report 2004-2005, http://www.weforum.org/pdf/Gcr/Executive_Summary_GCR_04. The top 15 GCI countries were Finland, US, Sweden, Taiwan, Denmark, Norway, Singapore, Switzerland, Japan, Iceland, UK, Netherlands, Germany, Australia and Canada.

Singapore 25th.²⁶ The HDI has also published a gender-related development index assessing disparities in human development between men and women. In 2003, Hong Kong was ranked 24th and Singapore 26th. The top countries were Norway, Australia, Canada, Sweden and Belgium.²⁷

Measuring creativity

The Global Creativity Index is composed of three indices covering talent, technology and tolerance. This index is seen by its creators as strongly and positively associated with other leading indices of competitiveness, human development and economic development, such as those discussed above. Its purpose is to capture the ability of a country to harness and mobilize creative talent for innovation, entrepreneurship, industry formation and long-run prosperity. The top 10 ranks here for 2004 are Sweden, Japan, Finland, United States, Switzerland, Denmark, Iceland, Netherlands, Norway and Germany.²⁸

A Creativity Index has also been created for assessing cities. The index is based on the belief that the key to economic growth lies not just in the ability to attract the creative class, but to translate that underlying advantage into creative economic outcomes in the form of new ideas, new high-tech businesses and regional growth. To gauge these capabilities, the index is a mix of four equally weighted factors: the creative class share of the workforce; high-tech industry;²⁹ innovation, measured as patents per capita; and diversity, measured by the Gay Index, a proxy for an area's openness to different kinds of people and ideas. The creators believe this composite index is a better measure of a region's underlying creative capabilities than the simple measure of the creative class because it reflects the joint effects of its concentration and of innovative economic outcomes.

Measuring economic freedom

The Heritage Foundation produces the annual Index of Economic Freedom. The index looks at various key ingredients and variables that the Foundation considers to be important for an economy's economic success.³⁰ Hong Kong and Singapore are the recurrent best performers under this index.

²⁶ The Human Development Report 2004, <http://hdr.undp.org/reports/global/2004>. Reading each year's report over the years provide useful insights into many issues relating to human development, including in gender equality, poverty alleviations and political participation.

²⁷ The Economist, *Pocket World in Figures*, 2003, p.29.

²⁸ Richard Florida, "The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community and Everyday Life", Perseus Books Group; 1st edition (April, 2002), pp.271-280. It is unclear if Singapore was measured but it is not measured in the index.

²⁹ This index uses the Milken Institute's Tech Pole Index methodology while the other three were created by Richard Florida. See Richard Florida, "The Rise of the Creative Class", *Washington Monthly*, May 2002, <http://www.washingtonmonthly.com/features/2001/0205.florida.html>

³⁰ These include such things as tax rates, tariffs, regulations, government intervention, property rights, open capital markets, monetary stability, trade policy, government fiscal burden, foreign investments etc. See The 2005 Index of Economic Freedom, <http://www.heritage.org/research/features/index>

Ranking the rich

The Center for Global Development (CGD) and Foreign Policy magazine created the Commitment to Development Index (CDI), a ranking of 21 rich nations according to how their policies help or hinder social and economic development in poor countries. The index creators believe that in a globalizing world, rich countries cannot insulate themselves from insecurity because poverty and weak institutions are breeding grounds for public-health crises, violence, and economic volatility. Fairness is another reason to care. No human being should be denied the chance to live free of poverty and oppression, or to enjoy a basic standard of education and health. The countries ranked in the CDI are all democracies that preach concern for human dignity and economic opportunity within their own borders. The index measures whether their policies promote these same values in the rest of the world. The CDI assesses seven major domains of government action: foreign aid, trade, investment, migration, environment, security, and technology policy. However, apart from Japan, no other Asian country was included.³¹ What is interesting about this ranking is that the small European countries do well, which shows that ambition and commitment (not size) are what counts.

IV. Demographic comparisons

“The quality of our people has a direct bearing on Hong Kong's competitiveness in the next century. It determines whether we continue to develop economically, our wealth continues to grow and our lives continue to improve. To realise our vision of Hong Kong as a world-class city with a thriving economy and an affluent and culturally rich society, it is first and foremost necessary to cultivate and retain a critical mass of talented people.”³²

This section provides demographic data for Hong Kong, London and New York based on the latest available census statistics, which were undertaken in 2000 for New York and 2001 for both Hong Kong and London.³³ The statistics provide points for comparison on population, age, sex, ethnicity, education, income, labour force and households. There are a number of similarities in certain areas such as age distribution and gender imbalance but also significant differences, such as in education, income levels and ethnic diversity. It can be seen from the histories of London and New York that at various times, they too had been hit by uncertainty and fall in population but it is possible to recover strongly.

Population and density

The most populous city among the three is New York, with a population of almost 8.1 million according to the 2000 census. London had a population of almost 7.2 million and Hong Kong a population of 6.7 million according to each city's 2001 census.³⁴ However, in terms of population density, Hong Kong has the highest density at 28,405

³¹ Ranking the Rich 2004, http://www.foreignpolicy.com/story/cms.php?story_id=2540&page=0.

³² Chief Executive Policy Address, paragraph 52.

³³ Census statistics available online at:

<http://www.info.gov.hk/censtatd>; <http://www.statistics.gov.uk/census2001>; and

<http://gis.nyc.gov/dcp/pa/address.jsp>

³⁴ Hong Kong's 2004 population is 6.8 million.

persons per sq km. Singapore only has 8,697 persons per sq km and London and New York do not feature among the top 25 cities in terms of density.³⁵

London and New York have experienced post-war population declines, although numbers are increasing again. London's population hit a low of 6.8 million in the 1980s from a high of 8.6 million prior to World War II, and New York's hit a low of 7 million in 1980 from a high of almost 7.9 million in 1950. Hong Kong's total fertility rate (average number of children per woman) is 0.8, which is the lowest in the world.³⁶ In 2003, London's was 1.71, and Paris' in 1999 was 1.88.³⁷ Replacement level is 2.1, thus all three depends on people coming to live in the city for population growth.

Age

Hong Kong has the lowest percentage of people under 15 years, 1.109 million (16.5%) compared to 1.632 million (20%) people in New York and 1.448 million (20%) in London. It has similar numbers of people aged between 15 and 24 years (13.7%), as London (13%) and New York (14%). Over half (51%) of the population of Hong Kong is aged between 25 and 54 years. This is higher than in London (47%) and New York (45%). Hong Kong, London and New York have similar numbers of people aged 65 years or over, around 12%, indicating that the main difference is that London and New York have younger populations than Hong Kong.

Sex

London, New York, and Hong Kong all experience a gender imbalance, with more women than men in each city. In London, 52% of the population were women and in Hong Kong 51%.

Ethnicity

Hong Kong has the most racially homogenous population, with over 95% identifying as Chinese (see below). London and New York are significantly more ethnically diverse. 71% of the London population identified as 'white', 10% identified as 'black', 6% as 'Indian', and 2% as Chinese. New York has the most ethnically diverse population with migrants from 180 countries, with no clear ethnic majority. Just 35% of the population identify as 'white', 27% as Hispanic', 24% as 'black', and nearly 10% as 'Asian'.

Education

Hong Kong has the lowest education level, with less than 13% of the population over 15 years having attained a university degree or higher. London had the highest level, with 31% of the population over 15 years having attained university qualifications or higher. New York, using a different population base of over 25 years, had 27% of people with a college (university) education or higher.

³⁵ The Economist, *Pocket World in Figures*, 2003, p.19.

³⁶ Paul SF Yip, Joseph Lee and CK Law, *Hong Kong's Challenge: Impact of Population Change*, Civic Exchange, April 2005, <http://www.civic-exchange.org/publications/2005/pop%20-%20yll.pdf>

³⁷ We could not obtain the TFR for New York. Tokyo's total fertility rate is 1.1. The figures were provided by Paul SF Yip of the University of Hong Kong.

Income

Hong Kong households had a median monthly income of HK\$10,000, or US\$1,280 a month. New York on the other hand had a median monthly income for households of US\$3,210. 30% of New York households have an annual income of US\$100,000 or more and 70% have an annual income of US\$50,000 or more. As for London, 43% of households had a gross weekly income of over £600 in 1999-2002, compared with 30% of households in the UK as a whole. The average gross weekly household income for London, at £711 in 1999-2002, was £186 higher than the national average.³⁸

Labour force

New York had a labour force participation rate of 58%, or 3.626 million out of a total of 6.279 million over the age of 16 years. It had an unemployment rate of 9.6%, although the rate has dropped markedly since then. 3.192 million or 45% of the total population of London was employed. Hong Kong had the highest labour force participation rate of 61%.

Households

London and New York have much smaller households than Hong Kong. A third of households are single person in New York, and 60% have 2 or less people. 35% of London households are single person, and 71% have 2 or less people. In Hong Kong however, a mere 5% of people live alone and less than one in five households have 2 or less people. London has the highest rates of owner occupied households (56%), compared to New York, where more than two-thirds of households live in rented accommodation. The HKSAR Government plays a large role in housing, with nearly one-third of households living in public rental accommodation and another 20% in government built housing that over the past few years had been sold to public rental tenants so that the public sector could reduce its role in being a housing provider. The average household size has declined in Hong Kong though, from 3.4 people per household in the 1991 Census to 3.1 in 2001.

V. London and New York

Post-war history in brief

London in particular, but also New York, have had a much longer history and developed earlier than Hong Kong. London had become the political and financial capital of Britain almost a millennium ago, while New York had established itself as the country's financial centre by the turn of the 18th century, and serving briefly also as the political capital.

Post-war London saw the nationalisation of a range of industries including gas, electricity, coal and steel. It was a period of reconstruction; economic boom; immigration, mostly from Commonwealth countries; as well as the commencement of the decline of the manufacturing sector, replaced instead by a growing services sector. London gained a worldwide reputation as a centre for youth culture and fashion during this period.³⁹

³⁸ See <http://www.statistics.gov.uk/cci/nugget.asp?id=380>

³⁹ The Economist, Cities guide – London, <http://www.economist.com/cities>

London went through a period of growth and uncertainty during the 1980s when the then government abolished the Greater London Council, leaving it as the only major metropolis in the world without a central administration. Local planning was devolved to 32 boroughs, which created planning and infrastructure problems. This is discussed in greater detail in the next section of the report. The administration has since been reinstated in 2000. Although it was a period of economic growth during the 1980s, London also saw significant social polarisation and unrest, clearly demonstrated by the at times violent public response to the introduction of the unpopular poll tax.⁴⁰

Large parts of London that had been left derelict were redeveloped during the 1980s, most notably the Docklands, temporarily easing the burden on office space and accommodation. Building continued into the 1990s, with some of the needed public money raised from the National Lottery.⁴¹

London's population actually peaked at 8.6 million in 1939, and declined to a low of 6.8 million in the 1980s, before climbing to its current level, largely as a result of economic growth and the return of a positive image.

Post-war New York experienced high immigration, with an influx of Puerto Ricans arriving in search of jobs. London and New York suffered from significant racial tension during this period. A large number of entrepreneurs, artists, intellectuals and Jewish *émigrés* arrived in New York fleeing the war and Nazi persecution in Europe, creating a lively cultural and intellectual scene.⁴²

New York did not however, appear to enjoy the same prolonged period of post-war growth and success as London, with the city in economic crisis and the government bankrupt by the 1970s. A combination of increased spending, investment, and taxes, as well as a weak US Dollar helped reverse the trend, so that the 1980s became a period of growth until the stock market crash of 1987.⁴³

Crime became a problem during the downturn, and saw the arrival of a crack cocaine epidemic. The economy recovered and crime levels dropped during the 1990s, although there is some debate about whether this was due to the authorities being tougher on crime measures or the decline in the crack cocaine epidemic and an economic recovery.⁴⁴

After another downturn following the attacks of 11 September 2001, New York appears to be recovering again.⁴⁵ New York's population has also seen decreases from the 1970s through to the 1990s, although it is now back at its peak. However, there is an on-going debate in the United States about the consequence of restricting visa issuance and immigration post 9-11 that is affecting the country's ability to draw upon foreign talent to fuel future growth.

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ The economy was already experiencing a downturn by the time of September 11, but the attacks exacerbated the downturn.

As soon as the atrocities took place in the United States in 2001, London was assumed to be at risk of terrorist attack, which finally struck on 7 July 2005 although the number killed and injured was relatively small. The Economist noted that:

“No city, however, can stop terrorists altogether. What can be said, though, is that terrorists are unable to stop cities, either. Perhaps an army, launching wave after wave of attacks, might succeed in doing so, especially if it were to deploy biological, chemical or nuclear weapons. Short of that, cities will always bounce back quickly after the initial shock. They are resilient organisms, with powerful social and economic reasons to shrug off terrorism”.⁴⁶

Reasons for success

London and New York are the undisputed leading cities of the world, making them places to visit. They also attract the most talented and creative professionals, as well as supporting a range of industries to meet their needs both at work and outside of work. Nearly every study of world cities uses the two as examples and they are the most frequently cited.

A major study of the economies of London and New York conducted by the Corporation of London found that there were striking similarities given their different histories and development.⁴⁷ It found that the major forces driving the economies of London and New York were that:

- ◆ Both are leading centres of finance, advanced business services, media and communications, culture and the creative arts, entertainment and design, and magnets for both business and holiday visitors.
- ◆ Each depends on knowledge and creative functions for its place in the global marketplace.
- ◆ Both have had similar industries in decline, in particular manufacturing.

Other similarities between London and New York include:

- ◆ Both have had similar changes in demography, with a large influx of new immigrants, and a large proportion of highly educated and skilled workers.
- ◆ Transport, especially air transport and public transport, are of vital importance in supporting each city's economy.
- ◆ A growing integration of functions and convergence of firms represented in each city.

These findings are consistent with world/global city theory and their status as world/global cities.

⁴⁶ “London under attack”, *The Economist*, 9 July 2005, p.9. Fatalities are over 50 with about 700 casualties according to <http://www.london.gov.uk> on 9 July 2005.

⁴⁷ Corporation of London, *London – New York Study*, June 2000.

Finance, business and professional services

New York is an economic capital driven by advanced producer services such as banking, finance, accounting, and law. While these industries are the bulwark of the economy, New York is also driven by a large local social services and hospitality sector, such as health, education, restaurants and hotels.⁴⁸

New York is the global financial centre, containing the world's two largest stock exchanges. The financial sector (including insurance and real estate) is the city's leading industry and the major driver of economic activity. It is responsible for generating 30% of all earnings in New York.⁴⁹

The business and professional services, or knowledge sector, encompassing law, advertising, accounting and management consulting, account for almost one-fifth of total earnings in New York. Information technology and engineering firms however, are not as well represented.

London is similar to New York in this respect. The financial sector was also the major force driving economic recovery in London from the mid 1990s. London has so far managed to maintain its position as the leading global centre in Europe, even with the introduction of the European Monetary Union and competition from other European cities, in particular Frankfurt in the 1980s.

By the end of the 1990s, employment in the business and professional services sector accounted for over 20% of all employment, making it one of the biggest and most important sectors. Many IT firms have also chosen to make London their main base in the United Kingdom.⁵⁰

The presence of so many headquarters and supporting industries make London and New York attractive for professionals and less skilled people alike. Professionally, these cities afford the opportunity to reach the pinnacle of a person's career. Being close to the centre of power and decision-making may also make it easier for people to advance their careers, by allowing the opportunity to build a profile.

Centre of power and influence

New York and London are powerful both in politics and business on a global basis.

Even though the United States' political capital is in Washington DC, the United Nations has its headquarters in New York. As the seat and decision making body of world affairs, it attracts the most powerful people from around the globe on a regular basis. Its General Assembly influences world peace, security, and economic development. A network of services and personnel is required to support such an administration, with a 39 storey building dedicated to providing secretariat services to the United Nations.⁵¹ New York also has a large diplomatic presence as a result.

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ See Richard Florida, "The Rise of the Creative Class", *Washington Monthly*, May 2002, <http://www.washingtonmonthly.com/features/2001/0205.florida.html>

⁵¹ United Nations, see <http://www.un.org>

London is the national capital of the United Kingdom, which has a long imperial history that built links to a vast empire. Therefore, London is able to still play an important role beyond European politics that affects other parts of the world through its permanent membership in the United Nations' Security Council, as well as the Commonwealth, which has its Secretariat in London.

Beyond politics, London and New York attract top business and civil society talents, and many key decision makers are based there. Even with the advances in technology, people still prefer to meet in person or face-to-face. There are benefits and efficiencies in having things all in one place. For example, in English-language publishing, publishers, authors, agents, and media outlets are concentrated in New York and London, making it easier to deal with all aspects of the business in one round.⁵² As centres of the publishing business, New York and London are also intellectual capitals of the world.

Creative, cultural and intellectual capital

Indeed, London and New York are creative, cultural and intellectual capitals of the whole world, not just the Western world. There are important public and private world heritage collections, leading cultural organisations that focus on Western as well as non-Western cultures, many private funded bodies that promote multicultural exchanges, a large number of public policy think tanks, a significant number of universities, and a high concentration of expertise in both Western and non-Western scholarship. Each boasts world renowned museums and art galleries, ranging from those that show contemporary works, such as the Tate Modern in London and the Guggenheim in New York to those that show works from other eras, such as the National Gallery in London and the Frick Collection in New York. There are also museums specialising in natural history, various historical periods, science, war, moving images and much more. Both cities also have many performance spaces such as two world-class opera houses at Covent Garden in London, and the Lincoln Centre in New York is the home to several world famous performing arts companies. The two cities' major entertainment districts, the West End and Broadway, provide daily performances of the full range of shows that people come to see from all around the world. The presence of so many world-class institutions makes London and New York attractive for both visitors and residents alike. The support of local residents is also important in ensuring the survival of smaller, lesser-known establishments, who cannot rely on time poor tourists.

Nevertheless, in using the Creativity Index for ranking large American cities, San Francisco took 1st place, Washington DC took 8th place and New York was in 9th place. The London Development Authority is working with public and private sector partners to promote 'Creative London' in order to boost job creation and "provide opportunities for Londoners to participate in one of the leading centres of the global creative economy".⁵³

⁵² A Gottlieb, "The town of the talk: a survey of New York", *The Economist*, 19/2/05, p.7.

⁵³ See <http://www.creativelondon.org.uk>

Media

New York is the communications and media capital of the United States, with the largest concentration of media headquarters, as well as being a major source of content. The advent of 'new media' such as the Internet has cemented New York's position rather than erode it, in large part due to the existing information intensive organisations and culture.

London is a hub for media in the United Kingdom and Europe, in particular print media, broadcasting, music and 'new media'. Benchmark quality publications such as the Economist and the Financial Times, and news services such as Reuters and the BBC, are headquartered in London.

Multiculturalism and diversity

London and New York are multicultural and attracts some of the highest numbers of immigrants in the world. These immigrant populations have settled into various neighbourhoods and have been intrinsic in shaping the identity of each city. It has been suggested that immigration saved New York, helping to rebuild neglected neighbourhoods, particularly in outer New York. The arrival of large numbers of immigrants fuelled demand for goods and services, and immigrants now make up 43% of the city's labour force.⁵⁴

Beyond multiculturalism, both cities are seen as diverse, containing a variety of sub-cultures and population groups. People from different ethnic backgrounds, gays and lesbians, Christians, political activists, artists, bankers, lawyers and businessmen coexist. Though tensions have arisen from time to time, London and New York have largely been successful in finding room for difference, backed up by education and legal protection. For example, the New York City Human Rights Law prohibits discrimination in employment, housing and public accommodations based on race, colour, creed, age, national origin, alienage or citizenship status, gender (including gender identity and sexual harassment), sexual orientation, disability, or marital status.⁵⁵

Tourism

New York is a leading destination for domestic and international visitors alike. It has a world famous skyline, and is not only a global centre for business but also the arts, entertainment and retailing. This drives demand for hotels, restaurants, bars and other related services. London is similar to New York in this respect. It has the greatest concentration of major visitor attractions in the United Kingdom, from its historic buildings through to world famous cultural institutions. Large numbers of tourists and business visitors add to the burden of transport infrastructure, and require sophisticated transport options and facilities, in particular airports.

⁵⁴ A Gottlieb, "The town of the talk: a survey of New York", *The Economist*, 19/2/05, p.3.

⁵⁵ See, New York City Commission on Human Rights, www.nyc.gov/html/cchr. The United Kingdom has a series of equal opportunity legislations that apply to the whole of the country.

Challenges facing London and New York

The challenges facing London and New York are consistent with those faced by large cities around the world:⁵⁶

Need to develop the structure for urban governance for decision-making

Managing large cities is no easy task. Firstly, there is the issue of the structure of city government and how it makes decisions. This is a major subject. This report can only provide a brief discussion to highlight key issues using London as an example, where it was only in 1999-2000 that it had the most recent round of reorganisation to revamp its decision-making structure through introducing elections for the city mayor and members of a city assembly.⁵⁷

London has 32 boroughs. These were created in 1965 at the same time as the former Greater London Council (GLC). The old City of London is managed by the Corporation of London.⁵⁸ The boroughs and the GLC provided a two-tier system of local government. Responsibilities for services were split in some cases, and shared (roads, housing, planning and leisure) in others. The Conservative Government under Margaret Thatcher abolished the GLC in 1986 because it was seen to be “a wasteful and unnecessary tier of government”.⁵⁹ The services provided by the GLC were carved up between central government, the boroughs and a new set of bodies. The revamped structure was criticised as having no strategic authority which resulted in some reorganisation. The Labour Government under Tony Blair introduced for the first time an elected city government for London after holding a referendum on the issue in 1998 that had the resounding support of Londoners.⁶⁰ As a consequence, the Greater London Authority (GLA) was created and elections for a mayor and assembly held in 2000. There is a clear separation of powers between the mayor, who has an executive role in setting the overall vision for London and defining clear strategies, and the elected assembly, which plays a scrutiny role. The boroughs and the Corporation of London continue to provide the majority of day-to-day services for residents, including education, housing, social services, environmental services, local planning and many arts and leisure services.

Need to improve urban governance capacity

Apart from having a modern decision-making structure, there is the issue of improving urban governing capacity in the quality of decisions made. To improve urban governance, this means having “...a common vision of the good life by political leaders and the polity; inclusion of citizens, interest groups, and stakeholders in the electoral, policy-making, and administrative process, which requires that those who govern are

⁵⁶ The challenges listed in the Corporation of London study align with and have been grouped under the main challenges raised by the leading scholars on world/global cities cited in this report.

⁵⁷ See “A brief history of London local government”, 2/4/03,
<http://www.alg.gov.uk/doc/asp?doc=8649&cat=989>.

For a summary of how the New York City government is managed, see
http://en.wikipedia.org/wiki/New_York_City#New_York_City_government. New York has had elections for a substantial period of its history.

⁵⁸ See <http://www.cityoflondon.gov.uk/Corporation>

⁵⁹ Conservative Party election manifesto 1983,
<http://www.prs.keele.ac.uk/area/uk/man/con83/htm>

⁶⁰ Labour Party election manifesto 1997, <http://www.prs.keele.ac.uk/area/uk/man/lab97/htm>

responsive to the wishes and demands of citizens and various groups; formulation, adoption, executive monitoring, and evaluation of government programs and projects, which requires accountability of those who govern to their constituents within a system of laws, rules, regulations, and standards; mobilization of resources to pursue developmental vision and achieve good outcomes; and finally institutionalized resolution of differences and conflicts without resorting to physical violence".⁶¹ Policies must therefore consider and integrate all the above aspects.

A number of urban challenges that arise are the result of a city's success, such as increased cost of living, congestion, pollution and pressure on public infrastructure. Growing income inequality, social division between the highly skilled and less skilled, and integration of different cultures are issues for both London and New York, as well as other large cities. Policies of opportunity, tolerance and inclusion are critical for good urban governance. This means city authorities need to devise policies that support building economically sustainable, environmentally safe cities, where citizens are able to access employment, rely on social networks and express their political will.⁶²

Need to improve and upgrade basic infrastructure

Despite being the undisputed world/global cities, the transport infrastructure of London and New York are not as good as newer cities, such as Singapore and Hong Kong, although they have more extensive rail and subways systems, as do Paris and Tokyo. London and New York have not always been able to invest in the upkeep and maintenance of its roads and transport infrastructure despite the fact that many people live a long way from their places of work and must commute everyday on public transport. Dealing with congestion and parking is a key issue for all large cities. Tokyo provides a cheap, well-run and extensive subway system to move its residents around. London has introduced electronic road pricing, a user-pay system, to reduce traffic that appears to be successful and has generated a lot of attention around the world because while the technology has been available for some time, it has not been widely adopted. While New York State spent almost US\$24 billion dollars on the city's subways and bus operations to a 'state of good repair', it has done little to expand capacity on the public transport network.⁶³ Finding space to expand airports has never been easy. With London now to host the 2012 Olympic Games, there will necessarily be a substantial amount of infrastructural upgrading to be done, including urban renewal programmes as well as wireless reception for phones and other handheld devices everywhere.

Need to improve competition regimes and corporate governance practices

To stay ahead, world/global cities need to remain open and competitive in the way they function so that they can be innovative and expand their competitive advantages in being centres of not only information but knowledge, experience and creativity. In the regulation of financial markets, which is of particular importance to world/global cities, this means having the power and expertise to require a high level of disclosure, protect minority shareholders' rights, and demand good corporate governance in general. In

⁶¹ Aprodicio Laquian, "The Governance of Mega-urban Regions", in TG McGee and Ira M Robinson, eds., *Urban and Regional Governance in the Asia Pacific*, University of British Columbia Press, Vancouver (1995), pp. 215-429.

⁶² Blair A Ruble, Joseph S Tulchin and Lisa M Hanley, "Moving towards inclusive cities", *Brown Journal of World Affairs*, Winter/Spring 2005, Volume XI, Issue 2, pp.69-77.

⁶³ Corporation of London, *London – New York Study*, June 2000, p.45.

business, this means having competition regimes that discourages monopolistic practices. In politics, this means there must be policies to discourage rent seeking lobbying from business interests.

VI. The case of Hong Kong

Hong Kong has some characteristics in common with London and New York, but there are significant differences the most significant of which are highlighted below:

Ability to conduct 'external affairs'⁶⁴

The Basic Law, Hong Kong's post-1997 constitution, has a substantial section on Hong Kong's ability to conduct 'external affairs' enabling the city to use the name 'Hong Kong, China' to "maintain and develop relations and conclude and implement agreements with foreign states and regions and relevant international organizations in the appropriate fields, including the economic, trade, financial and monetary, shipping, communications, tourism, cultural and sports fields".⁶⁵ This enables Hong Kong to continue its membership in bodies that are not limited to states, such as the World Trade Organization, World Customs Organization, Asia-Pacific Economic Cooperation (APEC) and the International Olympic Committee as a separate member than the People's Republic of China. This is a privilege that London and New York do not have. This ability clearly allows Hong Kong to remain highly connected to important international bodies and to develop the capacity to engage in international affairs that is in effect diplomatic in nature.

The issue here is how the HKSAR Government chooses to use this ability to further its capacity to engage the world thereby increasing its influence both nationally and internationally. Being small is not a barrier to having large and wide ambitions, as Singapore and a number of small European countries have shown. By examining the HKSAR Government's strategies, its ambition in this regard can be discerned. However, in the first eight years of life, it seems very little has been done by the government to extend its influence and to train up government personnel to improve their capacity to deal with external affairs. Moreover, Hong Kong seems to have weakened its various longstanding links with Commonwealth institutions that have non-state memberships although there is nothing in the Basic Law that bars Hong Kong from participation. The loss of enthusiasm to maintain links with Commonwealth bodies might have been due to the impression that China would not look favourably upon it. It is unclear if this matter has been fully explored and considered by the HKSAR Government since from a connectivity perspective, it would be to Hong Kong's benefit to maintain such links.⁶⁶

⁶⁴ See Basic Law, Chapter VII on External Affairs.

⁶⁵ Basic Law, paragraph 151. The HKSAR is able to conduct extensive external affairs after 1997 to mirror what it was able to do as a colony pre-1997. For a brief history of why Hong Kong had such extensive autonomy in external affairs short of diplomatic affairs, see Norman Miners, *The Government and Politics of Hong Kong*, 5th Edition, Oxford University Press, Hong Kong, pp.200-203.

⁶⁶ Christine Loh, "The Commonwealth and Hong Kong", *The Round Table* (1996) 338, pp.231-237.

Disconnect from mainland China

Having evolved for over 150 years as a British colony, Hong Kong functions differently from the mainland in many ways. As part of the Handover arrangements, Hong Kong is permitted to be organised more like a city-state, with immigration and border controls. These physical boundaries also represent differences in values and belief systems. As such, Hong Kong is disconnected from its immediate neighbourhood – Guangdong – and the mainland to a much greater extent than London and New York are to their respective hinterlands and countries. Hong Kong and mainland China function on completely separate systems. This is both an advantage and a disadvantage although it seems to have created an identity crisis for Hong Kong.

In a 2004 survey on business outlooks for Hong Kong and China conducted by the American Chamber of Commerce, member companies ranked the key elements they found 'most important' in their decisions for continued investment. These included Hong Kong's solid legal & regulatory systems (56%), good communications network (52%), a stable government and political system (49%), convenient geographical location (48%), and good infrastructure (46%). Hong Kong scored well in terms of the above key criteria over mainland China.⁶⁷ In contrast, the mainland was still seen to suffer from pervasive corruption, heavy bureaucracy, under-developed legal and regulatory systems, and low respect for intellectual property.⁶⁸ As one economist noted recently: "The most attractive aspect of Hong Kong is precisely that it is so different from the rest of China".⁶⁹

The American Chamber of Commerce survey results showed that although the quality of the natural environment ranks at the bottom of factors directly affecting member company's continued investment in Hong Kong, it is also one of the most unfavourable attributes affecting Hong Kong's business environment and needs further improvement.⁷⁰ This is because quality of life and social and health issues affect the decisions of expatriates to come to and stay in Hong Kong. For those who manage money or perform high-skilled functions with location mobility, they can consider relocating to cleaner cities, such as Singapore.⁷¹ To clean-up the environment, Hong Kong must collaborate with the Guangdong authorities but dealing with cross-border relationships operating under different political, administrative and legal systems has proven to be a significant challenge so far.

⁶⁷ American Chamber of Business in Hong Kong, 2004 Business Outlook Survey, see http://www.amcham.org.hk/hongkong/business_outlook_survey.html

⁶⁸ Ibid.

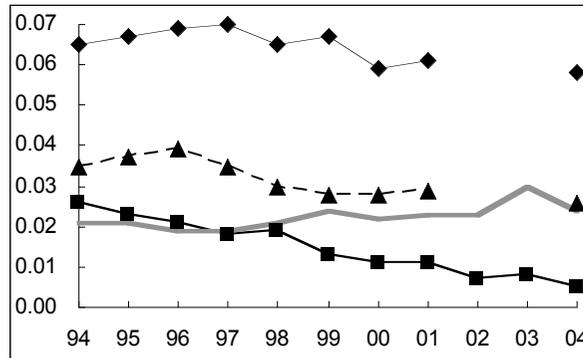
⁶⁹ Philip Bowring, "Hong Kong's Identity Crisis", *TIME*, 25 July 2005.

⁷⁰ Ibid. Environmental conditions in many of the mainland's cities are even worse than Hong Kong.

⁷¹ Christine Loh and Simon Ng, *Air Pollution in Asia: The Air We Breathe*, CLSA Asia-Pacific Markets, April 2005, <http://www.civic-exchange.org/publications/2005/CLSAA/pdf>

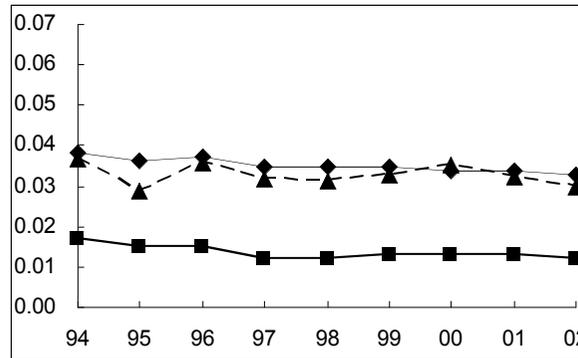
Air quality in major cities: annual mean concentration of selected pollutants (in mg/m³)

London (Bloomsbury)



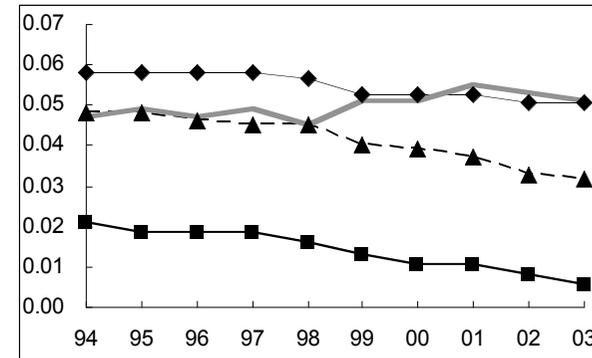
Source: The London Air Quality Network (<http://www.londonair.org.uk/london/asp/home.asp>)

New York City



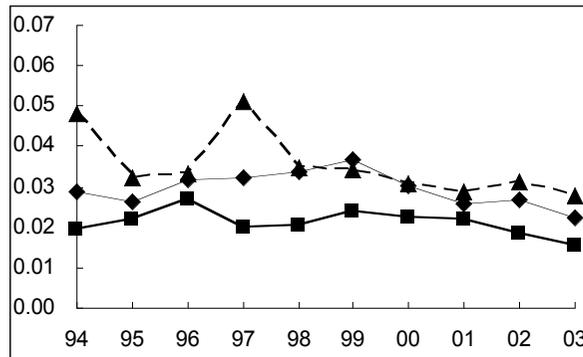
Source: The United States Environmental Protection Agency *National Air Quality and Emissions Trends Report 2003*

Tokyo



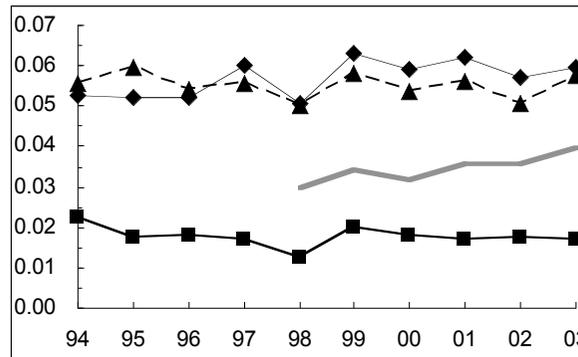
Source: Bureau of Environment, Tokyo Metropolitan Government

Singapore



Sources: Singapore Department of Statistics (various issues) *Monthly Digest of Statistics Singapore*

Hong Kong



Source: Environmental Protection Department, Hong Kong SAR Government

Legend

- ◆— NO₂
- SO₂
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Larger service economy, education and language proficiency

Services contribution to the economy is greater for Hong Kong than either London or New York is to their respective economies. What is clear is that for the past 25 years Hong Kong has been the most important engine driving China's modernization.⁷²

Hong Kong is a leading financial services centre in Asia and classed as a 2nd-tier 'Alpha' world/global city. It has developed rapidly post-war. Like London and New York, it has moved away from traditional manufacturing to establish itself as an advanced producer services economy. Economic development from 1980 to 1997 was in direct response to China's programme of reforms. During that period, Hong Kong's development was characterised by a distinct shift from manufacturing to services (including the flourishing of a real estate sector); revival in entrepôt trade with China and migration of Hong Kong's manufacturing capacity to the Pearl River Delta in Guangdong Province. Hong Kong became an attractive stepping-stone for multinationals to access production capacities in China.

While Hong Kong's shift to a service-based economy is well-documented, what is less well understood is that this move has actually made Hong Kong firms more competitive as manufacturers. Firstly, by relocating production to China, the scale of manufacturing increased manifold. Secondly, the manufacturing-related services in banking, finance, management, design, law, accounting, and logistics provided by Hong Kong complemented the expansion of export production. Profits made were repatriated and reinvested in Hong Kong that fuelled retail and property booms, as well as invested overseas. Thirdly, the growing importance of the high-end service component of manufacturing, such as design, has rendered the division between production and services somewhat artificial. In other words, services became embedded in the production of goods. Hong Kong firms became masters in creating some of the world's most sophisticated supply chain operations. Services generate over 85% of the Hong Kong economy, which is a higher ratio than London or New York.⁷³

There has been much discussion about whether Hong Kong will become increasingly less important as other Chinese cities begin to develop. In the neighbourhood, Shenzhen and Guangzhou are seen as lower-cost competitors, and further a field is Shanghai. Hong Kong, Shenzhen and Guangzhou are in fact part of the same Pearl River Delta growth corridor with its initial economic take-off being propelled by Hong Kong. In August 2003, Hong Kong and Guangdong Province announced their desire to turn the Pearl River Delta into one of the world's 'economic superzones' with Hong Kong as the hub. In many ways, the region is already an economic superzone. The key issues facing mainland cities include the fact that the free flow of information and freedom of association remain anathema to the Chinese Government and that it does not yet have a rule of law system. The lack of these characteristics limits high-end services and creative functions from locating to the mainland although lower-end back-office functions are already moving across the border, which proves that 'services class' workers are easier to replace than 'creative class' workers. This provides a clear signal that the HKSAR Government must continue to invest heavily in education and

⁷² Michael Enright, Edith Scott and Ka-mun Chang, "Regional Powerhouse: The Greater Pearl River Delta and the Rise of China", John Wiley & Sons, London, 2005.

⁷³ For a short history of Hong Kong's economic development, in particular its manufacturing and producer-services sectors, see Christine Loh, *Hong Kong SMEs – The primer: Nimble and Nifty, Transforming Hong Kong*, CLSA Emerging Markets, April 2002, <http://www.civic-exchange.org/03publication/HKPrimer.pdf>

training to expand the creativity of its pool of residents. Compared to London and New York, Hong Kong is already operating at a disadvantage in education levels.

Then there is the complicated issue of language, which provides important insights into Hong Kong's sense of its identity. The medium of popular culture is overwhelmingly Cantonese, which means Hong Kong people's sense of their own identity is very much bound up with their use of Cantonese. Yet, the majority of Chinese speak Putonghua, which is now the *lingua franca* of the Chinese-speaking world. Hong Kong people are generally seen as not proficient in Putonghua. Thus, there is tension between Hong Kong people's 'Chineseness' and their sense of their local distinctiveness. Another source of tension is how they see Hong Kong as an international city, which is a proxy for how they see Hong Kong's place in the world. Under colonialism, Hong Kong was firmly tied to the West. Chinese and English have always been official languages in Hong Kong. However, as 1997 approached, realignment had to take place with Hong Kong becoming a part of China. In terms of the use of language, the various tensions became much more apparent. For example, it became politically correct to use Cantonese more and more in official discourse, including in the legislature, and use written Chinese in official communication. Yet, there remains a significant strand of cosmopolitanism in the local culture and society. This is particularly strong among the upper-middle class, which is why these parents want their children to be educated in English and are willing to pay the much higher fees charged by the international schools. Members of this particular group have the experience of studying and living overseas, they travel frequently and many have family members living abroad. Furthermore, the political transition coincided with the widespread concern that Hong Kong's English language ability has fallen. This concern is most vocally expressed by the business community, particularly multinationals, who are looking for employees with high proficiency in English. A 2005 survey claimed that "Hong Kong's confidence and proficiency in using English has deteriorated so badly that it ranks equal or worse than mainland China and Thailand on a number of indicators and lags way behind key regional competitor Singapore".⁷⁴ The survey observed that while Hong Kong people viewed English as critical for Hong Kong to compete in the global marketplace, their view was not matched by their commitment to using it in their daily lives or even at work".⁷⁵

Ethnicity, nationality, immigration and inclusion

Hong Kong's majority Cantonese population came from Guangdong Province at various times over the past century although since 1997, there are more people from other parts of China resident in Hong Kong. Low-skilled new mainland immigrants, many from rural areas, continue to arrive on family reunion programmes although numbers are showing signs of dropping off over the last two years.⁷⁶ Other mainland arrivals are higher-skilled individuals working for mainland corporations as well as multinational companies. There have also been greater numbers of mainland scholars studying and teaching in Hong Kong's universities since 1997. Low-skilled labour from

⁷⁴ See the Wall Street Institute survey published in May 2005 comparing English language usage across Asia. While Hong Kong ranked 2nd overall among 7 Asian countries, English standards are seen to have fallen, see

http://www.wsi.edu.hk/home/eng/press_article/press_asia.pdf

⁷⁵ Ibid.

⁷⁶ Paul SF Yip, Joseph Lee and CK Law, *Hong Kong's Challenge: Impact of Population Change*, Civic Exchange, April 2005,

<http://www.civic-exchange.org/publications/2005/pop%20-%20yll.pdf>

the Philippines, Thailand, Indonesia and South Asia mainly provide domestic help services. The relatively narrow band of high-skilled, high-income individuals from overseas usually occupies middle and upper decision-making positions in multinational companies and high-end service provider firms. According to the 2001 Census, there were estimated to have been 344,000 non-Chinese people in Hong Kong or approximately 5% of the population with over 50% of them working as foreign domestic helpers.

Hong Kong's principal ethnic mix⁷⁷

Ethnicity	Total number	Number excluding FDHs
Filipino	142,556	16,251
Indonesian	50,494	4,800
British	18,909	18,901
Indians	18,543	17,357
Thais	14,432	9,357
Japanese	14,180	14,172
Nepalese	12,564	12,012
Pakistani	11,017	11,009

Hong Kong has a complicated nationality and immigration history first as a British colony and then as a Special Administrative Region.⁷⁸ Hong Kong's nationality mix is more diverse than its ethnic mix. A large number of the Hong Kong-Chinese population are holders of a foreign nationality. Prior to 1997, many families (possibly as many as 500,000 people) left Hong Kong. Some have returned after obtaining a foreign nationality,⁷⁹ and the British Government gave British nationality to 50,000 Hong Kong families. In terms of its immigration policy, essentially, Hong Kong favoured people from developed countries in particular and discriminated against mainlanders making it much harder for them to come to Hong Kong to live and work. As part of the Handover arrangements, foreign nationals can apply for the right of abode after 7 years of residence in Hong Kong, as could mainlanders. The only group of foreign nationals who cannot obtain the right of abode are the foreign domestic helpers. Hong Kong does not have a record in racial violence but there is longstanding evidence of social alienation of the ethnic minorities. The concept of having policies aimed at fostering inclusion of the minorities is relatively new.

Due to longstanding fears that there would be large numbers of mainland immigrants coming to Hong Kong post-1997, the Handover arrangements included setting a boundary between the mainland and the HKSAR so that there is in effect a distinct

⁷⁷ Home Affairs Bureau, HKSAR Government, "Legislating Against Race Discrimination: A Consultation Paper", September 2004.

⁷⁸ For background, see Norman Miners, *The Government and Politics of Hong Kong*, 5th Edition, Oxford University Press, Hong Kong, under "British nationality"

⁷⁹ Numbers are estimates as Hong Kongers who left Hong Kong did not have to surrender their Hong Kong residency rights, thus it has also been difficult to estimate how many who left has returned.

immigration border within 'one country'. For mainlanders to travel to Hong Kong, visas have to be obtained. The extent of the fear could be seen in 1999 when the HKSAR Government sought a decision from the Standing Committee of the National People's Congress in 1999 to in effect re-interpret the Basic Law to limit the number of children born to Hong Kong parents in the mainland eligible for the right of abode under a court decision interpreting relevant sections of the constitution.⁸⁰ The effect of Hong Kong's immigration policy is that it keeps cross-boundary families separated. Since then, the authorities have expedited family reunions via administrative measures and put in place measures to make it easier for mainland professionals to work in Hong Kong in recognition that the mainland is a source of talent for the city.⁸¹

Tourism

Since 2003, when the Chinese authorities loosened travel restrictions for mainland citizens, Hong Kong has become one of the top five tourist destinations in the world, with over half the number of tourists arriving from the mainland. In 2004, the number of mainland visitors grew by 45% to 12.25 million with 90% of them apparently coming to Hong Kong to shop.⁸² Indeed, mainland tourists are beginning to travel abroad in much greater numbers as governments around the world are prepared to issue a larger number of visas.⁸³

While world/global cities are by definition tourism centres, if seen through the lens of the Creativity Index, the case of Las Vegas offers interesting insights. Out of ranking a total of 49 of the largest American cities, Las Vegas ranked 47th even though this is a fast-growing city with a rising population. Using the Creativity Index, Las Vegas has 58% of its workforce in the 'service class' working mainly in the tourism sector but it has no real concentrations of the 'creative class', save vacationers, and offer little prospect for upward mobility.

Media and publishing

The Hong Kong public has the highest newspaper readership in the world.⁸⁴ Hong Kong is a regional base for many media organisations because under British colonial rule, media companies could use the city to operate freely to carry out information gathering and news reporting functions. Since 1997, a number of media companies have relocated elsewhere for either reason of high costs and/or concern whether the free media environment would become more constrained under Chinese rule.⁸⁵ As a

⁸⁰ The HKSAR Government's decision to invite the Standing Committee for a decision remains controversial. Under the Basic Law, the right of final interpretation of the constitution rests with the Standing Committee of the National People's Congress. See Johannes MM Chan, H L Fu and Yash Ghai, *Hong Kong's Constitutional Debate: Conflict over Interpretation*, Hong Kong University Press, 2000.

⁸¹ See the Admission Scheme for Mainland Talents and Professionals, http://www.immd.gov.hk/ehhtml/hkvisas_3.5.htm

⁸² Hong Kong Chief Executive's Policy Address 2005, paragraph 71.

⁸³ Paul McKenzie and Janice Tan, "PRC tourists in Hong Kong: Retail impact – Part 5", CLSA Asia-Pacific Markets, June 2005.

⁸⁴ The Hong Kong Transition Project has surveyed Hong Kong people's attitudes for over 12 years and a consistent trend is the high newspaper readership, see <http://www.hkbu.edu.hk/~hktp/>

⁸⁵ See Matthew Lee, "Tsang action sought over erosion of press freedom", *The Standard*, 18 July 2005, p. A11; Johannes Chan, "Civil Liberties, Rule of Law and Human Rights: The Hong Kong Special Administrative Region in Its First Four Years", *The First Tung Chee-hwa*

media centre, Hong Kong is not comparable to London or New York in terms of size and depth. Hong Kong itself has much less political clout. There are no substantial international bodies located in the city. It can command a certain level of international interest because it is the home of many multinational offices and overseas investments, and it remains a good China-watching post.

As for publishing, Hong Kong is not an intellectual centre even though it has a freedom of speech and freedom of expression culture backed by law. It has a solid printing business, with much of the physical functions done on the mainland but not a comparable publishing business to those of London and New York. There are fewer full-time authors living in Hong Kong although in recent years a Literary Festival has been created with private sector support, which is a positive sign.

Culture and entertainment

The colonial administration had an undistinguished record in encouraging art and cultural developments in Hong Kong. It associated building physical venue space with arts promotion and consistently neglected to develop art appreciation in schools, as well as to grow an appreciative local audience. Even today, the focus is on developing venues rather than invest in long-term arts and cultural appreciation among its people.⁸⁶ The interest to invest in venues appear to be driven more by providing entertainment to attract more tourists rather than enhancing the quality of life and human development potentials of local residents. Unlike London and New York, and despite the tremendous wealth the city has, there are relatively few private philanthropic endeavours to support the arts. Having said that, there is a community of artists and a modest arts and cultural administration community upon which Hong Kong can build. There is also a strong base of the creative industries located in the city. The Chief Executive 2003 Policy Address rightly noted the growing importance of the 'creative industries' and since then there have been interest in promoting this sector.⁸⁷ Culture also includes preserving the city's heritage but this is an area where Hong Kong needs to work much harder on.⁸⁸

Administration: The First Five Years of the Hong Kong Special Administrative Region, edited by Lau Siu-kai, The Chinese University of Hong Kong Press, Hong Kong (2002), pp. 89-122; and Richard Cullen, "The Media and Society in Hong Kong", *Building Democracy: Creating Good Government for Hong Kong*, edited by Christine Loh, Hong Kong University Press, Hong Kong (2003), pp. 104-116.

⁸⁶ The current discussion is over how to develop West Kowloon and whether there should be a concentration of several museums and exhibition spaces being financed by property development and managed possibly by overseas operators. The debate has been highly contentious over the HKSAR Government's preference for using a single developer model including having an enormous canopy to be a 'cultural icon'. See LegCo's "Report of the Subcommittee on West Kowloon Cultural District Development", July 2005, http://www.lego.gov.hk/yr04-05/english/hc/sub_com/hs02/reports/hs02cb1-rpt-e.pdf.

See also John Russell Taylor, "The State of the Visual Arts in Hong Kong", Civic Exchange, March 2002, <http://www.civic-exchange.org/publications/2002/VisualArt/pdf>

⁸⁷ Chief Executive Policy Address 2003, paragraph 19. The creative industries are defined as including the performing arts, film television, publishing, art, antique markets, music, architecture, advertising, digital entertainment, computer software development, animation production, fashion and product design. See also "Baseline Study on Hong Kong's Creative Industries", published by the HKSAR Government's Central Policy Unit, September 2003, [http://www.info.gov.hk/cpu/english/papers/baseline%20study\(eng\).pdf](http://www.info.gov.hk/cpu/english/papers/baseline%20study(eng).pdf)

⁸⁸ For a thorough discussion see Cecilia Chu and Kylie Uebergang, *Saving Hong Kong's Cultural Heritage*, Civic Exchange, February 2002, <http://www.civic-change.org/publications/2002/Cultural%20Heritage%20Conservation%20E.pdf>

Politics and governance

Hong Kong does not have an elected government. Beijing adopted much of the colonial administrative system and created a post-1997 political system in Hong Kong where the city's business and professional elites dominate the process in selecting the city's chief executive [head of government] and half the members of the legislature. Questions are being raised locally as to whether Hong Kong's political system dominated by narrow vested interest groups can promote good urban governance. Civic Exchange has done substantial research in examining Hong Kong's awkward political system.⁸⁹

In assessing the HKSAR's governance capacity, one of the issues of concern is the city's widening inequality with significant gaps in income between the wealthiest and the poorest. Coupled with low and flat tax rates, the disparity is regressive. The Gini coefficient for income inequality for Hong Kong rose from 0.43 in 1971 to .53 in 2001, higher than in comparable Asian cities. The lowest earning 20% of households earned 3.2% of total income in 2001.⁹⁰

VII. Concluding issues

Hong Kong is undoubtedly one of the leading cities and economies of the world today that is highly connected to the rest of the world. Despite having done extremely well to attain world/global city status, competition to sustain its position among the best cities is intense. For the past several years, Hong Kong appears caught between its colonial history, which helped it to become successful in the world, and a future within a country that has had a different system economically, socially and politically, but is now transforming at a pace that requires Hong Kong to redefine and rearticulate its role in the altered environment. Uncertainty created anxiety in Hong Kong. The lower-cost mainland appears to be having a permanent deflationary impact on Hong Kong, which has sapped earning power for people in the lower to mid-skills range. Hong Kong was unsure whether it should become more 'Chinese' in its orientation or remain and expand its international outlook. This uncertainty appears to have pulled Hong Kong back in terms of its own sense of confidence about which direction development ought to take. Hong Kong must break some of the cultural and attitudinal norms embedded in its current operational system in order to establish a new set of norms and attitudes that is better suited to today's world.

To consider how to continue to advance, policy-makers need to have a clear idea about the following questions: What has Hong Kong's competitive edge been built upon? How can Hong Kong compete for global talent? How is Hong Kong doing to cultivate and harness the creative talents of its residents? Is Hong Kong investing enough in the right areas? Is Hong Kong sufficiently open to new ideas of all types from which innovation can arise? Why is there a persistent fear of the closing of the mind in Hong Kong? Why is there a concern that Hong Kong will become more ethnic and culturally homogenous rather than more diverse? This section does not seek to

⁸⁹ Civic Exchange's many publications on political analysis and reform can be found in the publication section of <http://www.civic-exchange.org>

⁹⁰ W Breitung and M Gunter, *Local and Social Change in a Global City: The Case of Hong Kong*, GaWC Research Bulletin 159, 15/12/2004, p. 13, <http://www.lboro.ac.uk/gawc/rb/rb159.html>

provide a full response to these questions but will focus on the critical areas that impact on expanding connectivity to the world and Hong Kong's ability to attract global 'creative class' talent as these are the two most important drivers for quality economic growth.

Although this cannot be regarded as a comprehensive list, the following issues have been identified from this brief study to need urgent policy reconsideration:

1. Review immigration policy

In going forward, policy-makers need to focus on what will result in a lasting economic advantage – it is the ability to attract and retain a sufficiently critical pool of talented people from a wider range of experience, rather than simply competing for goods, services and capital. Competition for talent is coming from both advanced cities, such as New York, London and Singapore, as well as emerging cities, such as Beijing and Shanghai. Immigration can no longer be seen to perform a gate-keeping function. It must play a talent attraction function of attracting diversity.

Hong Kong's current immigration policy reflects a past where mainlanders were discriminated against. While this is gradually changing, change is on an ad hoc basis and is the source of much frustration for employers wanting to hire mainlanders. Hong Kong has been reluctant to open the doors to nationals from many parts of Asia because of their perceived lower education levels and/or economic status. Hong Kong's very slow pace to pass laws to prohibit race discrimination is a sign that the city has a distinctly less open attitude on ethnicity than other world/global cities. This attitude may well be a factor that will hold Hong Kong back from being more competitive in attracting global talent.

2. Reconsider the value of diversity

Diversity is simply a mix of all kinds of influences. Diversity can be seen as a source of innovation or conflict. Countries and cities which have received large numbers of immigrants, including London and New York, now see cultural and ethnic diversities as benefits because they have brought new connections, ideas and innovations. Hong Kong appears to have a mixed view on this issue, as could be seen from its immigration policy. As for people of different sexual orientations, Hong Kong is more conservative than many cities in the West. It is recognised that these so-called 'minority groups', are often highly creative. An indicator of progress in these areas in Hong Kong is the time it will take for Hong Kong to pass legislation to prohibit discrimination on the grounds of race, age and sexual orientation.

3. Recognize English ability is bound up with identity

The issue of falling English standards in Hong Kong is likely bound up with the city's confused sense of identity and self-confidence over the past decade. As mainland cities become more outward looking, it is hard to avoid comparisons that they are becoming more international while Hong Kong has become less so. Until the HKSAR Government, a key actor in this aspect, is itself entirely comfortable in pushing and promoting a cosmopolitan identity rather than feel it has to demonstrate Hong Kong's 'Chineseness', English standards may well not have the right environment advance.

4. Close gap between rhetoric and implementation in urban planning

Policy-makers need to consider what it takes to attract the 'creative class'. Innovators tend to prefer an environment open to differences that is stimulating. They tend to like authenticity, variety in how to live their lives and enjoy leisure. They often like outdoor activities, such as good sports and a clean environment. Historic buildings and established neighbourhoods are more important than shopping malls and chain restaurants. Thus, leading creative cities and regions provide a solid mix of innovative industries, plentiful outdoor amenities, cultural choices and interesting local heritage. From various annual policy addresses, all these aspects are highlighted by the HKSAR Government but the gap is in implementing them appropriately.⁹¹ There is still a preference on the part of the authorities for hardware investments, such as highways, industrial estates and logistic parks over restoring degraded areas, heritage preservation and open space. At the same time, the choices of further hardware investments often bring further pressure on the natural environment. Pollution levels are three times higher than London, and over four times higher than New York.⁹²

5. Reinforce civil liberties

Innovation and creativity thrive within environments that allow and encourage freedom of expression and association. Yet, these are constant issues of concern and debate in Hong Kong whether the space for freedoms is narrowing because of what may be termed the 'mainland influence' as China operates under an entirely different philosophical construct than Hong Kong. There are also constant questions about whether the 'one country, two systems' policy is sufficient to keep the HKSAR not just economically liberal but also socially and politically progressive. Hong Kong people can vote for legislators but not the government and significant political reform has been ruled out for the next rounds of election in 2007 and 2008. However much this subject might be difficult for the HKSAR Government to discuss in the open, maintaining and indeed expanding Hong Kong's access to information, freedom of expression, freedom of association and political participation must be high on the policy priority list. The level of civil society activities and the strength of its capacity are also indicators of Hong Kong's vibrancy.

6. Promote competition and governance

In 2005, Hong Kong was described as the 'poster economy' for economic freedom "with a duty-free port, simple procedures for starting businesses, minimal capital controls, and a transparent, fair rule of law system".⁹³ Despite Hong Kong having done extremely well under the Heritage Foundations' Economic Freedom Index, it needs to be noted that this index does not measure the degree of economic freedom in the domestic economy. There is on-going criticism of the HKSAR Government's refusal to put in place a comprehensive competition regulation regime to liberalize the domestic economy.⁹⁴ The continual refusal to address this issue has contributed to creating a

⁹¹ Thus, Central Reclamation Phase III has been zoned for creating more roads, offices and retail complexes when the reclaimed area could be the home of a very large urban park by the harbour-front which would make Hong Kong unique in having such an amenity in the CBD.

⁹² Clear the Air, <http://www.cleartheair.org.hk>

⁹³ The 2005 Index of Economic Freedom, <http://www.heritage.org/research/features/index>. The top rankings were Hong Kong, Singapore, Luxemburg, Estonia, New Zealand, Ireland, UK, Denmark, Iceland, Australia, Switzerland, US, Sweden, Finland, and Canada.

⁹⁴ See World Trade Organization, *Trade Policy Review. Hong Kong, China* (Geneva: World Trade Organization 2002), p.viii and comments from EU Trade Commissioner, Pascal Lamy

public impression that the HKSAR Government favours dealing with large business interests who are dominant in the domestic economy.

7. Increase capacity in conducting 'external affairs'

Hong Kong has the unusual ability to conduct 'external affairs'. Policy-makers should examine the areas and extent to which the HKSAR has exploited this ability. Up until now, Hong Kong has paid the greatest attention to trade and commerce related international bodies but they may well be many other types of connections that merit policy attention. Moreover, the HKSAR Government can make a determined effort to train a core of government officers to become external affairs specialists so that Hong Kong has the best representation when conducting affairs internationally, including when acting as members of the Chinese diplomatic delegations. The HKSAR already has a range of overseas trade and economic offices but what it lacks is a high-powered programme to help train a core of experience officers and a clear strategy on how to increase Hong Kong's influence internationally from as many perspectives as possible under the Basic Law.