



Introduction by  
The Rt Hon Lord Hurd  
of Westwell CH CBE PC  
Chairman of the FIRST  
Advisory Council

It gives me great pleasure to introduce this special FIRST report on the Hong Kong Special Administrative Region (SAR). We at FIRST would particularly like to thank Erica Ng, the Director-General of the Hong Kong Economic and Trade Office in London for all her support. We are also very grateful to Hong Kong's Chief Executive, the Hon CY Leung, as well as the many other senior figures who have contributed such important and personal interviews and articles to this special report.

I must at this stage sound a personal note. I have visited Hong Kong many times both as a young diplomat in the 1950s and from 1989-1995 as Foreign Secretary.

The United Kingdom, as a co-signatory of the Sino-British Joint Declaration with the People's Republic of China, has an enduring relationship with, and commitment to, the SAR following the transfer of sovereignty in 1997, the ceremony of which I attended. This close cooperation includes regular exchanges on a range of policy issues including education, financial services, law enforcement and climate change.

Hong Kong is the UK's second-largest market in the Asia Pacific region for the export of goods and is the home to half of all UK investment in Asia. The British government works closely with the government of the Hong Kong SAR on issues such as offshore Renminbi (RMB) internationalisation, low-carbon growth and policy issues concerning financial services regulation.

Hong Kong's economy is regularly voted the freest in the world and is highly dependent on international trade and finance. The Chinese Mainland is by far Hong Kong's largest trading partner, accounting for around half of all Hong Kong's trade by value. Hong Kong has also established itself as the preeminent stock market for Chinese companies seeking to list

outside Mainland China. Mainland Chinese companies account for about half of the firms listed on the Hong Kong Stock Exchange and contribute nearly 60 per cent of the exchange's market capitalisation.

In 2013 the SAR and Mainland Authorities signed new agreements under the Closer Economic Partnership Agreement (CEPA) to establish even closer economic ties between the Mainland and Hong Kong. These measures, which became effective in January 2014, cover services and trade facilitation. These links, along with international economic relationships have propelled Hong Kong's annual GDP per capita to around US\$55,000 – the fifteenth highest in the world. The SAR also enjoys a budget surplus of nearly 2 per cent of GDP.

Hong Kong's increasingly powerful economy is underpinned by the principle of 'One Country, Two Systems' under which the People's Republic of China provides the region with a high degree of autonomy and preserves its economic and social systems for 50 years from the date of the handover. Given the SAR's key role as a major corporate and banking centre, as well as being a vital conduit for Mainland China's rapidly growing outward investment, it is in all our interests that Hong Kong's peace and stability is maintained.

Recently there has been strong argument in Hong Kong regarding the process for electing the next Chief Executive of the SAR in 2017. It is in the interests of all to find in discussion a solution which will enable Hong Kong to resume without interruption its economic and social progress under institutions which command general support.

We at FIRST are delighted to have been asked to produce this special publication on Hong Kong and hope that it contributes, in a small way, to the further development of the SAR's international relationships, particularly in the areas of trade and investment. **E**