

ON THE FRONT LINES: HONG KONG'S ROLE IN INTERNATIONAL SECURITY¹

By Derek J. Mitchell

For outside observers, one of the most surprising aspects of the first decade and more of Hong Kong's existence under Chinese sovereignty is not merely that the territory has been able overall to exercise a "high degree of autonomy," but that Beijing's leaders have expressed relative satisfaction with the result. Indeed, China is keen to stress that Hong Kong serves as an example of its commitment to a market-based economy and open trade, and to highlight that Hong Kong is flourishing after twelve years of Chinese territorial control.

At the same time, Hong Kong also stands apart from, and serves as an example for, the Mainland in its treatment of evolving notions of security. Though Beijing still holds jurisdiction over traditional aspects of Hong Kong's security, such as territorial defense, Hong Kong's administration has produced a model of success in the areas of port security, financial security, and public health that China and the world would be wise to study and emulate.

Being a port city and major epicenter of trade and international finance, Hong Kong has security concerns distinct from, though not irrelevant to, the Mainland given the territory's continued critical role as an *entrepôt* for Mainland trade. Hong Kong's role in securing international trade against illicit activities is likewise important to U.S. interests in securing the global supply chain while facilitating global commerce. In addition, problems such as terrorist financing and money laundering are acute concerns of Hong Kong officials as the territory works to maintain legitimacy and stability as a financial hub.

Hong Kong's continuing dependence on trade, investment, and tourism was also evident in the outbreaks of the H5N1 avian influenza virus in 1997 and of Severe Acute Respiratory Syndrome (SARS) in 2003. Indeed, geography

¹ Adapted from Derek J. Mitchell, "On the Front Lines: Hong Kong's Role in International Security," in *Hong Kong on the Move: 10 Years as the HKSAR*, ed. Carola McGiffert and James T. H. Tang (Washington, DC: CSIS Press, 2008). Used with permission.

puts Hong Kong in the unenviable position as the first line of defense against the many security challenges that have and will likely again emanate from the southern provinces of Mainland China.

This article examines developments in four areas of security—port security, public health, environmental security, and financial security—and assesses the respective implications for Hong Kong’s relations with Mainland China, the United States, and the world at large.

Port Security

Hong Kong is currently the third-busiest container port in the world and a critical hub for global shipping. Its harbor’s deep waters enable it to accommodate vessels of all sizes, and its strategic location along the global supply route through the Strait of Malacca and Southeast Asia into China and the Pacific Rim ensures that traffic through the harbor is consistently high.

Hong Kong is critical trading partner for the United States: much of what the United States imports from mainland China transits through Hong Kong’s harbors. Hong Kong is also a major trade partner for U.S. allies in the region: Hong Kong is Japan’s ninth-largest trading partner¹ and the fourth-largest export market for South Korea.² As such, Washington views Hong Kong as a lynchpin of regional economic stability and growth. American leaders have recognized that port security measures taken in Hong Kong can have a meaningful impact on security in the United States.

In September 2002, Hong Kong joined the Container Security Initiative (CSI), a U.S. Department of Homeland Security (DHS) initiative that promotes cooperation with host countries in order to screen and seize suspicious cargo. CSI has been highly successful in the territory, and American officials have praised the Hong Kong program as a model mechanism. Although the program is primarily intended to facilitate counterterrorism efforts, it has also yielded indirect benefits, such as seizures of counterfeit merchandise.³

In conjunction with CSI, Hong Kong is scheduled to continue participation in the Secure Freight Initiative on a pilot basis through April 2009,⁴ a symbol of the territory’s demonstrated interest in securing cargo in cooperation with the United States and others. The Port of Hong Kong made

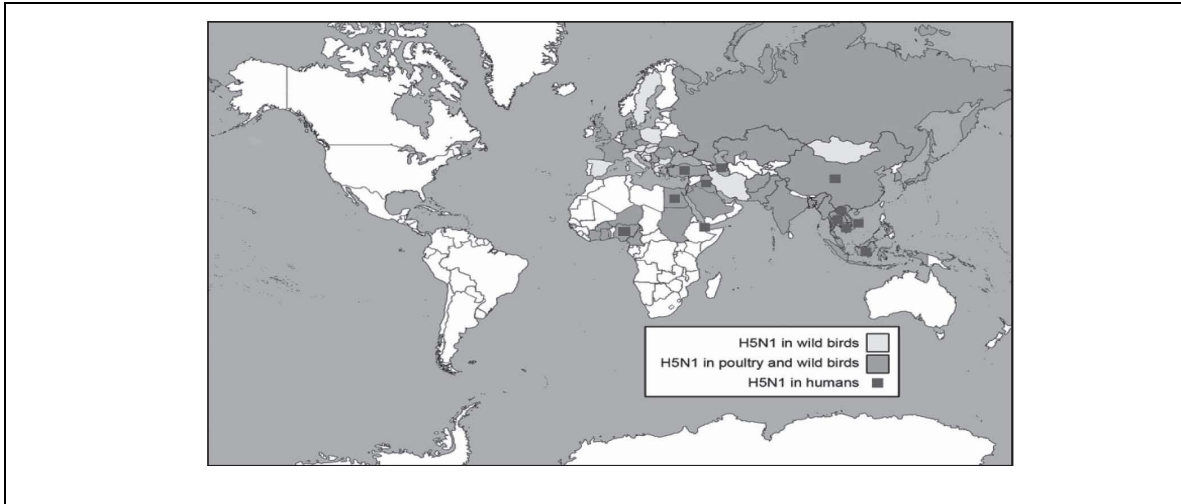
headlines in 2006 for its role as host of the Integrated Container Inspection System (ICIS), a pilot program for scanning shipping containers using state-of-the-art technological processes. Although some observers have argued that the program should be the standard for port security in the United States and around the world,⁵ doubts about its effectiveness and the daunting cost have precluded full implementation.⁶ Nonetheless, Hong Kong continues to be at the forefront of advances in port security, and its programs serve as a developmental model worthy of study and emulation.

Public Health and Environmental Security

The appointment of Margaret Chan, Hong Kong's former director of health during both the 1997 H5N1 avian influenza and 2003 SARS crises, to the post of World Health Organization (WHO) director-general in November 2006 highlighted the generally positive perception of Hong Kong's response to and readiness against infectious disease threats.⁷ Hong Kong has been among the areas hardest hit in recent years by outbreaks of dangerous infectious diseases. Such experiences, however, have left the city much more prepared than most for dealing with threats to health security.

The world's first cases of human infection with H5N1 avian influenza occurred in Hong Kong in 1997, killing six people, and Hong Kong suffered through a severe outbreak of SARS in 2003. Both these events proved debilitating for Hong Kong's tourism industry and business interests, prompting leaders to pump billions of dollars into public health security. Figure 2 shows the spread of confirmed cases of H5N1 avian influenza as of 2007, an illustration of the ability of infectious disease to spread quickly through international travel and commerce.

Figure 1. Nation-States with Confirmed Cases of H5N1 Avian Influenza, 2007



Hong Kong’s successful reform of its live-animal market following the H5N1 scare in 1997 provided a viable model for public health officials elsewhere.⁸ Since January 2004, all imported and local chickens in Hong Kong’s markets have had to be vaccinated, and all imported fowl from the Mainland have had to come from registered farms that comply with the same requirements imposed on local farms in Hong Kong. Other import control measures include dead and sick bird monitoring, and random screening and testing of antibody levels in imported chickens at the border checkpoint.

Although Hong Kong experienced several additional outbreaks of avian influenza after 1997—most recently in December, 2008—such prevention and control measures reduced the scale of each subsequent outbreak (table 2). No cases of human infection have been reported in Hong Kong since 2003, despite continued outbreaks and deaths in Mainland China and throughout Southeast Asia.⁹

Hong Kong also demands relatively rigorous standards and rapid response mechanisms to control food-borne threats to public safety. Hong Kong established the Centre for Food Safety in 2006 to enhance control of food imports, which make up approximately 90% of all food consumed in the territory. Hong Kong has established monitoring and notification protocols with mainland authorities, including the State General Administration for Quality Supervision, Inspection, and Quarantine, and the Guangdong provincial government.

Hong Kong also demonstrated its leadership in food safety during the recent wave of mainland Chinese product safety scandals. In the absence of a

speedy centralized response by Beijing to address widespread melamine contamination in 2008, Hong Kong regulators took expansive measures to test and identify tainted products and quickly established a cap on melamine content. Other regional states looked to Hong Kong's investigation for clues into how much of the chemical might have been absorbed into meat and vegetables exported by China to them.

Although the structure of Hong Kong's public health infrastructure and the response of some officials during the early stages of the 2003 SARS crisis brought considerable public criticism, measures eventually implemented to help bring the outbreak to an end and to reform the public health system to better defend against future infectious disease outbreaks have been notable. In 2004, for instance, Hong Kong established the Centre for Health Protection, which has implemented readiness measures such as creating special isolated infectious disease blocks in area hospitals, stockpiling antiviral drugs, and establishing pandemic preparedness plans and more aggressive public awareness programs. Hong Kong's Agriculture, Fisheries and Conservation Department (AFCD) has conducted an extensive surveillance program of dead birds.¹⁰

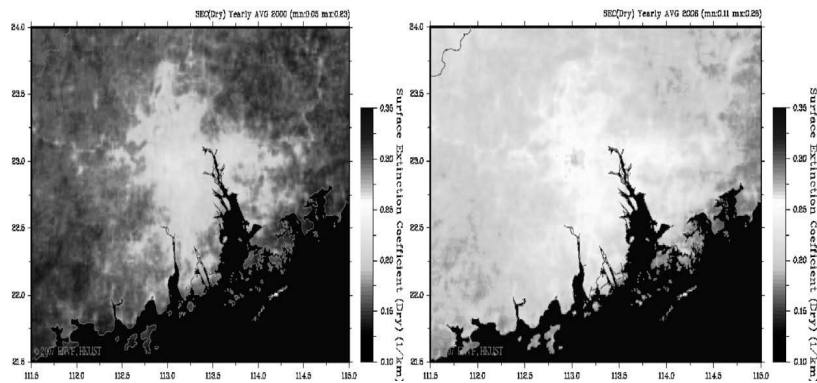
Hong Kong must continue to manage the risks of disease outbreaks stemming from its interconnectedness with the Pearl River Delta, including by improving existing networks of communication and coordination between local agencies in Hong Kong and public health officials elsewhere.¹¹ U.S. policymakers would do well to engage Hong Kong as a partner and leader in reinforcing health security in Asia, to continue sharing information with Hong Kong within the Global Influenza Surveillance Network, and to continue investment in programs for global disease surveillance and relevant assistance to developing countries.¹²

Environmental Security

Environmental security has also become a mounting concern for Hong Kong as industrial activity in the Pearl River Delta (PRD) has ballooned. Air quality is on a continuous decline, with pollutants well in excess of both Hong Kong's targets and WHO recommended levels. A comparison of satellite images taken in 2000 and again in 2006 showing particulate matter distribution is particularly revealing to that effect (figure 1). An estimated 80% of the air pollution in Hong Kong is created by power generation,

factories, and motor vehicles in the PRD.¹³ Costs to Hong Kong's society from air pollution amount to billions of dollars each year.¹⁴

Figures 2 and 3. Aerial View of Particulate Matter Distribution on the Pearl River Delta (satellite image), 2000 and 2006



Source: Institute for the Environment of the Hong Kong University of Science and Technology / Civic Exchange, 2007.

Note: In these images, the white area represents higher haze levels; in the 2006 image (on the right), the white area had grown to include Hong Kong, in the bottom right quadrant. The “surface extinction coefficient” refers to pollution/haze levels that block light.

This striking problem underlines the emergent challenge that Hong Kong’s leaders face in building cooperation with counterpart institutions on the Mainland to maintain quality of life and minimize health costs. In 2006, Hong Kong formed the Pearl River Delta Regional Air Quality Monitoring Network in cooperation with the Guangdong Environmental Protection Bureau. But the ability to address certain sources of emissions remains underdeveloped. Marine emissions in the port of Hong Kong, for instance, have grown since 1997, even as pollution from factories, power plants, and motor vehicles in Hong Kong has decreased.¹⁵

Financial Security

The economic importance of Hong Kong, both regionally and globally, is difficult to ignore. Today, due largely to the laissez-faire legacy of Britain’s “positive nonintervention” policy, Hong Kong is consistently ranked as the freest economy in the world.¹⁶ The Hong Kong Stock Exchange, currently the world’s seventh largest, has a market capitalization of about US\$1.2 trillion, and at times Hong Kong has led New York in annual initial public offerings.¹⁷ Hong Kong is the United States’ fourteenth-largest export

market,¹⁸ a residence for 54,000 U.S. citizens, a tourist attraction for a million Americans each year, home to local and regional offices of 1,100 U.S. firms, and recipient of US\$47 billion in U.S. direct investment.¹⁹

During the Asian financial crisis a decade ago, Hong Kong officials earned international praise for maintaining stability by raising interest rates, intervening in the stock market, and rigorously defending the value of the Hong Kong dollar. But the events of 1997–1998 still serve as warnings of potential instability that could develop within the financial system under various scenarios today. In late 2008, Hong Kong had slipped into recession as a result of the global financial crisis, although the territory's banks themselves had limited exposure to U.S. subprime assets. Nonetheless, the Hong Kong government established an economic task force to evaluate options for addressing the challenges of the “financial tsunami.”

The structure of the Hong Kong economy indicates that many of its sources of expansion are also sources of financial uncertainty. Hong Kong's large number of initial public offerings each year can be attributed largely to mainland Chinese companies. The volatility of the Shanghai and Shenzhen stock markets, and the periodic intervention of Chinese Communist Party officials to rein in speculative investment, keep Hong Kong leaders nervous about regional financial stability. Thus, despite the impressive record of the Hong Kong government in addressing difficulties in the financial sector, uncertainty, vulnerability, and vigilance will continue to dominate the thinking of Hong Kong's leaders for the foreseeable future.

The two main legislative pillars for financial security in Hong Kong are the Drug Trafficking (Recovery of Proceeds) Ordinance and the Organized and Serious Crimes Ordinance, both of which have been updated in recent years to close loopholes in the territory's financial security mechanisms. Because most financial crime in Hong Kong has historically been related to drug trafficking—the island's location makes it a natural transit point for drugs moving from Southeast Asia to markets worldwide—financial security in Hong Kong relies on extensive coordination and communication between a large number of entities. The Narcotics Division, in fact, is responsible for setting overall policy and coordinating the implementation of financial security measures. Other actors include the Department of Justice, the Hong Kong police force, the Customs and Excise Department, the Treasury Bureau, the banking sector, the Insurance Authority, and regulators such as the Securities and Futures Commission.²⁰ With drug trafficking cases in

decline, however, many observers speculate that the majority of money-laundering cases in Hong Kong today can be traced to corruption, tax evasion, and other financial crime taking place in mainland China, among other places.²¹ Hong Kong has implemented public awareness programs to help combat these problems.

Likewise, Hong Kong's leaders have a considerable interest in supporting international efforts to curb suspicious financial transactions. In the aftermath of the September 2001 terrorist attacks, the U.S. government praised Hong Kong's law enforcement officials for their increased vigilance and proactive measures against illegal financial activity, such as money laundering and terrorist financing. Hong Kong has taken part in a number of counterterrorist financing initiatives, serving as a member of the Financial Action Task Force (FATF) since 1991 and as a founding member of the Asia-Pacific Group on Money Laundering. A report by the International Monetary Fund released in November 2008 gave relatively high marks for Hong Kong's observance of FATF recommendations on combating money laundering, while making recommendations for further improvements, such as extending to credit unions and remittance agents customer identification requirements and other obligations to combat the financing of terrorism.²² By denying resources to illegal weapons programs and terrorist organizations, Hong Kong has played a crucial role in safeguarding international security through financial regulation.

Conclusion

The government of the Hong Kong Special Administrative Region has recognized that despite limited sovereignty over traditional aspects of national security, it must be serious about addressing the nontraditional security challenges of port safety, public health, environmental degradation, and illicit financial activity. These elements of national security are particularly salient in the twenty-first century, with the advent of both state and nonstate actors with global reach and ambitions to sow instability and destruction.

In fact, Hong Kong's geography places the territory at the epicenter of many of these potentially devastating challenges to international security. As a major international transit point for goods, services, and people throughout Asia, it is to Hong Kong where security challenges can spread quickly, and from Hong Kong where these challenges can spread rapidly throughout the

world. It is axiomatic that in today's globalized world, a nation's security is tied to the ability of other nations to secure their borders and internal systems. Major ports such as Hong Kong, for instance, are essential to combat terrorists that seek to exploit weaknesses in shipping infrastructure, and to prevent potentially dangerous containers from reaching their destinations in the United States or elsewhere.

It is therefore reassuring that Hong Kong is aware of and has committed itself to seriously addressing such challenges. China, with its rapidly developing society and increasing integration into the global community, would do well to learn from the experience and success to date earned by its newly reacquired "special administrative region." Indeed, Hong Kong offers a model to others, including the United States, as the international community looks to share experiences, technologies, assets, and mechanisms to address the transnational security challenges of the twenty-first century.

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Notes:

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⁸ Christine Soares, "Getting Serious about Flu," *Scientific American* 293, no. 6 (December 2005): 52.

⁹ "H5N1 Avian Influenza: Timeline of Major Events," World Health Organization, November 11, 2008; http://www.who.int/csr/disease/avian_influenza/Timeline_08_11_11.pdf.

¹⁰ "Hong Kong stays vigilant against avian influenza threat," Hong Kong Economic & Trade Office News Release, February 2, 2007; <http://www.hketousa.gov.hk/usa/press/2007/feb07/020107.htm>.

¹¹ Ptralekha Chatterjee, "Hong Kong Battens Down the Hatches," *Lancet* 366, no. 9503 (December 17, 2005): 2073–2074.

¹² For examples of such investment by the U.S. Department of Health and Human Services, see Michael O. Leavitt, “Pandemic Planning Update IV,” U.S. Department of Health and Human Services, July 18, 2007, 6–8.

¹³ Jane Morse, U.S. Department of State, “Air Pollution Everyone’s Problem, Says U.S. Consul to Hong Kong”; <http://usinfo.state.gov/xarchives/display.html?p=washfile-english&y=2006&m=June&x=20060606162733ajesrom0.1589624&t=livefeeds/wf-latest.html>.

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¹⁶ Heritage Foundation, 2008 Index of Economic Freedom (Washington, D.C.: Heritage Foundation, 2008).

¹⁷ World Federation of Exchanges, *Focus* No. 189, November 2008, <http://www.world-exchanges.org/publications/Focus1108.pdf>. Note: This chapter was authored amidst the global financial crisis in late 2008, when stock market capitalization was unusually low.

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