

ASIA'S BEST | ANTHONY NIGHTINGALE

Hong Kong – still a fantastic place for business

Hong Kong's headlines in the past month or so have had more to do with politics than usual, and less to do with business than one might expect.

The casual observer might wonder if this special administrative region (SAR) of China can survive the turmoil. The answer, I believe, is a resounding "yes".

Three events of recent weeks, while largely unrelated, put Hong Kong on the front pages of the world's newspapers. On June 29, Hong Kong and the central government signed China's first-ever free trade agreement. Two days later, 500,000 people marched in the streets peacefully over pending national security legislation and governance problems. Then, just over a week later, the Fraser Institute named the SAR the most economically free economy in the world, for the seventh year running.

So, which is it? Has Hong Kong been confirmed as the crucial partner for doing business in China, by signing an agreement envied by many other countries? Is the political climate heating up? Or, is the SAR just an excellent example of a modern globalised economy? The answer is – all of the above.

New officials have just been named to take over the finance, commerce and security portfolios. Clearly, their priority will be to help Chief Executive Tung Chee-hwa unite the community and solve the difficult financial problems of Hong Kong.

But while their tasks are daunting, we should be comforted by the fact that differences of opinion within our society are dealt with in a constructive and civil way, and the fact that our economic fundamentals and entrepreneurial energies are still formidable. The fact is, Hong Kong is still the best city in Asia to do business.

First, Hong Kong now has the closer economic partnership arrangement (Cepa).

Under the deal, Hong Kong companies – both local and foreign-owned – will find it easier to access the booming China market. This agreement, which complies with the rules of the World Trade Organisation (WTO), will open the doors to goods and service-related investments between the world's most dynamic economy and one of the best business cities on earth, earlier than China had promised to the WTO.

While many local companies will benefit, many foreign businesses incorporated in the city also will make the grade. Of course, much will depend on the negotiations over the next few months as to rules of origin and similar technicalities. What is interesting is that to qualify to establish a wholly owned foreign trade company in China, for example, the rules are very simple: the business must be registered in Hong Kong and show proof of premises, taxes and other such bona fides.

The same is true for retailers, management consultancies and a host of other businesses: if the company meets the criteria, nationality doesn't matter. For the economy of an international city like Hong Kong to flourish, both local and foreign invested businesses must grow, and Cepa has the potential of helping them do that.

National security legislation is always sensitive in any country, and so the concerns raised in Hong Kong are to be expected. Yet most people in the SAR would agree that the draft security law was not the main reason so many people felt it necessary to make their views known. General unhappiness with the



government, record-high unemployment and the challenges of persistent deflation certainly all played a part, in addition to concerns about some provisions of the draft legislation.

This law, required under Article 23 of the Basic Law, is based on similar legislation in other jurisdictions and

contains numerous safeguards protecting the rights of the people. And let us not underestimate the solid rule of law tradition here – witness the appointment of two new foreign senior jurists, who are internationally reputed, to Hong Kong's Court of Final Appeal recently.

Our chamber had studied the draft in detail and suggested numerous changes to the government. Most of these were accepted. We also counselled patience and extensive consultation to allow the community time to debate the wording and to digest the enormous responsibility such a piece of legislation entails. That, too, is now happening.

But what stuck in my mind as the spectacle of street politics unfolded on July 1 was not the shouted slogans or colourful banners, but the things that didn't happen. There was no tear gas, no baton charge, no burning cars and no shattered windows. The protests were not anti-business, or race related. And, unlike other similar demonstrations elsewhere in the world, the worst injuries were twisted ankles and dehydration.

In the aftermath of the demonstrations, the administration paused, as any responsible government would, to reconsider its position. Perhaps the original law was poorly drafted, overly ambitious, or just badly presented to the

public. Certainly, national security legislation is, by its very nature, a sensitive issue.

Further, the community needs time to digest the many changes in the draft law, and to recognise that being part of China carries with it both rights and responsibilities.

Mr Tung assured the community that he heard the message of July 1.

As a gesture of understanding to the community, he announced that the government had asked the Legislative Council to delay acting on the bill.

Mr Tung also accepted the resignation of Security Secretary Regina Ip Lau Suk-ye, who was often criticised for her management of the unpopular campaign to pass the law.

Many journalists, and not a few business people, have asked me if the draft law or the protests will undermine Hong Kong's attraction as a place to do business. My answer to them is a firm "no".

The Fraser report mentioned above, and others like it, supports that assessment.

Regardless of which measures are used, Hong Kong sits at or near the top in just about every critical assessment category, year after year. Given that none of these ratings consider geography, the city's location is the icing on the cake.

The combination of competitiveness, economic freedom and the status as the service provider to "the world's workshop" – China's Pearl River Delta – underlines the unique position Hong Kong holds in the business world.

This burst of political activity has not come to a final conclusion, but we can point with pride to the fact that the process is developing peacefully, with everyone's views being heard and in a manner that will not diminish Hong Kong's enormous business advantages.

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