

Hong Kong in Transition

For the coming year 2022, Hong Kong is in transition.

From all indications, Hong Kong is integrating into the Mainland, and the directions are set.

Hong Kong's past economic success over the decades depends in part on a period of steady world economic growth fanned by the wind of trade globalization. Hong Kong enjoyed British Commonwealth preference and later generalized preference treatment in trade, which has brought about a big international market for Hong Kong products. Today we face growing competition and a new form of mercantilism in different parts of the world. The CEPA arrangement between the Mainland and Hong Kong is of some help admittedly.

The Basic Law has been regarded the promised land for Hong Kong, despite issues on interpretation and implementation arose from time to time. As the National Security Law for Hong Kong takes effect, there is continuing worry that its substance may be compromised by the latter's provisions and enforcement. It is set that further national security legislation will be introduced in 2022. The Politburo of the Chinese Communist Party recently said in a statement: " [We] must insist on making political security the top priority and coordinate to step up security work in key disciplines including political security, economic security, social security [and] technology security... [We] must firmly uphold regime security, institutional security and ideological security, and strictly defend ourselves against all sorts of infiltration and subversive acts."

The Legislative Council election will take place in December 2021, and the election of the Chief Executive, HKSAR will soon follow, in accordance with the changed election rules and procedures introduced during the year.

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The coronavirus epidemic has brought about disruptions and uncertainties. As an externally oriented economy, Hong Kong is particularly going through tough times.

In this situation, government intervention or support is the right thing to do keeping the economy going, but that may mean public finance is under heavy pressure. The balancing act by the government is delicate, and hence we believe prudence would be an important tenet. While it is useful to have a vision where Hong Kong goes in the long term, the commissioning of projects have to have regard to Hong Kong's ability to pay over time. Thus plans for the Northern Metropolis Development Strategy, the Lantau Tomorrow Vision, or other infrastructural spending should first be subject to transparent due diligence. Undoubtedly the government may issue bonds to finance projects and to boost the economy, as many large economies are living with high sovereign debt. Relatively Hong Kong is an economy of moderate size, and has to have due regard to its credit worthiness and sustainability.

Meanwhile with looming inflation, business will face higher operating cost. It is hoped that the government will take measures to assist business to counter increasing cost, e.g. rent or public utilities expenses and shortage of skill, and to speed up digitization.

We, ICC-HK, are the local representative body of the International Chamber of Commerce which has a history of over one hundred years, promoting cross border trade and investment, with members around the world. ICC-HK is tasked to facilitate business in Hong Kong to connect internationally and to keep pace with international development in public policy, sectoral rules and standards, and in the environment, social and governance settings. ICC-HK welcome the opportunity to work with likeminded parties to sustain Hong Kong's being Asia's world city.

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