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[Why business is still optimistic about Hong Kong](#)

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On a cloudy June day, the Jumbo Floating Restaurant was towed out of Hong Kong's Aberdeen harbour.

The giant six-storey structure - in the shape of a Chinese imperial palace - crept past yachts a fraction of its size earlier this month before a foghorn signalled its entry into the open sea.

The mega restaurant, which could house 2,300 diners at a time, had spent nearly a half a century in Hong Kong's waters. It drew visitors like the Queen, Richard Branson and Tom Cruise, and featured in multiple Cantonese and Hollywood films.

But for years, losses had been mounting, and the pandemic dealt a fatal blow.

For some, the restaurant's departure was symbolic of what was happening in Hong Kong. Both had faced a difficult few years and now Jumbo, much like the appeal of Hong Kong as a great place to do business, was floating away.

An unyielding zero Covid policy, which Hong Kong shares with mainland China, has battered an economy reliant on global business, finance and trade. Stringent travel regulations and intermittent lockdowns have kept tourists away, decimated small and medium businesses, and isolated "Asia's world city" from the rest of the globe.

This follows several years of disruption - massive pro-democracy protests in 2019, a National Security Law that critics said spelled the "end of Hong Kong" as they knew it, and a crackdown on free speech.

Business owners say these events have transformed the city's population.

"It [business] was very highly oriented towards the expat market. Hong Kong to New York, New York to Hong Kong, London," says Vinny Lauria, who runs a number of Hong Kong restaurants.

But, he adds, the restaurant business has "wisened up" with the increased arrival of wealthy mainland Chinese in the city.

"Strategy has changed immensely over the last 10 years," he says.

This is also not the first time that Hong Kong's future as a rich yet edgy business hub has been doubted.

The last 25 years

Hong Kong had long flourished as a financial powerhouse. And since Britain returned the former colony to China in 1997, the city had become a gateway for foreign companies to do business with China.

It had major advantages over regional competitors because of its sophisticated financial system, a transparent rule of law, English-speaking workers and links around the world.

But ahead of the handover in 1997, Fortune magazine published a cover story - "The death of Hong Kong" - lamenting that "the naked truth about Hong Kong's future can be summed up in two words: It's over."

Both foreign observers and many locals feared that Beijing's influence would increase immediately, and that Chinese soldiers would soon be roaming the city's streets, arresting people. Western newspapers also predicted that annual commemorations of the 1989 Tiananmen Square massacre - a taboo topic in China - would be banned.

But it would be another 20 years before Hongkongers' freedoms were threatened - several pro-democracy leaders and activists, and even a media tycoon are behind bars now. And events marking the Tiananmen Square anniversary are no longer permitted.

But those working in business and finance are still bullish about the city. In fact, Hong Kong's economy has doubled since 1997.

"When you're talking about Asian markets from an integrity standpoint, Hong Kong is ahead of China," says Drew Bernstein, an accountant who has been auditing Chinese companies for decades.

"If you have a financial market without integrity, it's more like a casino."

Financial markets opening up in mainland China did prompt some Fortune 500 companies to move to Shanghai, but Hong Kong remains one of the world's top 10 stock exchanges by market capitalisation.

And the city continues to rank highly among global financial centres for business environment, human capital, infrastructure and overall reputation.

"I've been through this movie many, many times, the ending is always the same," says property tycoon Allan Zeman.

While people left Hong Kong in 1997 thinking it was the end of the city's prospects, he says what they forget is that China is part of Hong Kong's appeal and what it offers to the business world.

"People are in Hong Kong because of China. One or two businesses might leave. I've been here for 50 years, I'm not going anywhere."

The next 25 years

But data shows that people are indeed leaving Hong Kong in record numbers.

Mid-2021 saw the largest number of people relocating since mid-1966, according to figures from the city's census and statistics department.

Mercer's chief executive in Hong Kong, Vicky Fan, says a high turnover isn't uncommon for a market like Hong Kong, especially in the wake of Covid, but she admits that a lot of people are moving.

Ms Fan points to international schools as proof - formerly competitive campuses are now opening up spots for local students.

There were also capital outflows of more than \$100 billion last year, for only the second time since 1997. And investments into Hong Kong dipped significantly in 2021.

"Hong Kong will continue to be a very rich city even if foreign executives move out, or refuse to locate there because there are enormous numbers of very wealthy Chinese and powerful Chinese companies who are enthusiastic to move there," said William H Overholt, a senior research fellow at the John F Kennedy School of Government at Harvard University.

Experts also point to Hong Kong's role as a financial hub in the Greater Bay area - a project that is connecting 11 cities in southern China with Hong Kong at the centre. The zone's combined GDP already matches that of South Korea.

"The future of Hong Kong is the Greater Bay Area. You can get from Hong Kong to Shenzhen in 14 minutes. The joke is that it's faster to go to Shenzhen than other people's houses in Hong Kong," Mr Zeman said.

While Hong Kong is expected to become more integrated with China, experts say it still won't lose its unique place in the financial world.

"For many Westerners, it's going to feel like another Chinese city. For the Chinese - individuals and companies - Hong Kong is still this wonderful airlock to the world from outside the mainland. It's where the legal system is predictable, political pressures on business are a lot less than they are on the mainland," Mr Overholt said.

And as the US increasingly turns away Chinese companies from its stock markets, Hong Kong will benefit. Around 100 mainland firms are at risk of delisting in the US.

Mr Bernstein believes they will attract more investor interest in Hong Kong than in London or New York.

"There aren't a lot of places for them to go," he said.

"It's still a market that companies can go to that has deep sources of capital. Markets like Hong Kong offer advantages that Asian companies can't get in the US," he adds.

"Asian markets understand the risk of a company not run by supply and demand but by governments. Today the reality is the largest companies in the world are run by governments."

That change is already visible: Of the 2,500 companies currently listed on the Hong Kong stock exchange, more than 40% are China-based and account for over three-quarters of the exchange's capitalisation.

"The strength of Hong Kong is being part of China... the first 25 years was an experiment, in the next 25 years we will reap the benefits. Hong Kong will continue to be one of the world's great cities," Mr Zeman told the BBC.

Experts argue that China doesn't need another Shanghai or Shenzhen, successful business hubs - so far from becoming another Chinese city, Hong Kong, they say, is likely to be the capital of a Chinese-led global economic empire.

It continues to be a gateway to China, and its role as China's gateway to the world is also under way.