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## Does Hong Kong still pack a punch?

**T**he World Economic Forum (WEF) defines competitiveness as “the collection of factors, policies and institutions that determine the level of an economy’s productivity, and thus prosperity.”

Hong Kong’s economy has long been lauded for its openness to trade and commerce. But as the WEF definition suggests, maintaining that competitiveness rests on the tireless commitment of lawmakers, regulators, financial institutions and professional accountants.

The recent adoption of international accounting standards is a perfect example of why Hong Kong ranks so highly in international surveys. We lead the region in our ability to embrace global trends. If a business can succeed in Hong Kong, it should have the practices and efficient management required to succeed anywhere.

Another example is the progress by Hong Kong’s banks in meeting the Basel II capital adequacy framework. On page 18 we consider the implications of its adoption. It looks set to cement Hong Kong’s position as one of the most efficient banking sectors in the region – but it may transform the competitive landscape in the process.

On page 22 we ask whether Hong Kong will emerge as a centre for Real Estate Investment Trusts. Hong Kong certainly has the potential to be a hub for cross-border REITs, as long as the right checks and balances are in place. But we will face strong competition from other centres, such as Singapore. The REIT race is only just beginning – how will it end?

On page 26 we turn to the domestic economy. Our opinion piece asks whether the lack of a competition law or anti-trust legislation makes a mockery of Hong Kong’s supposed openness. It’s a criticism opposition parties frequently level at the government, but an area that many Hong Kong people are reluctant to challenge. We accept the domestic status quo in order to protect our high international standing.

Hong Kong’s competitive standing depends on the energy and openness of its domestic economy as well as its attractiveness as an international investment location. We kick off our competitiveness debate on page 17, with the thoughts of David O’Rear, chief economist for the Hong Kong General Chamber of Commerce.

**Mike Hurlé**  
Editor



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