

Hong Kong's position as a regional trading, transport, aviation and shipping hub is under threat, says the Chairman of the Chamber of Hong Kong Listed Companies



## Hong Kong needs to upgrade its role as super connector to super dealmaker

**A**s Hong Kong celebrates its 20th anniversary of returning to China's sovereignty, I would like to reflect on Hong Kong's journey in the past two decades. A closer economic tie with Mainland China has benefitted the Hong Kong economy greatly in more ways than one. The listing of Mainland Chinese enterprises on the Hong Kong Stock Exchange since the early 1990s, either in the form of red chip or A-share company, has significantly boosted our market's diversity, turnover and liquidity, and has pushed Hong Kong to the top of the global initial public offering league table for many years. The presence of Mainland enterprises has also expanded HKEX's composition of listed companies.

Of course, this relationship is mutually beneficial. For the Mainland enterprises, a listing in Hong Kong provides them with the necessary capital for expansion, easy access to the global capital markets and enhanced international reputation.

The world is now facing deglobalization. However, China is stepping up its opening-up to the outside world. Further to the One Belt, One Road initiative, unveiled by China's President Xi Jinping in 2013, Premier Li Keqiang proposed to work on the development planning of the Guangdong-Hong Kong-Macau Bay Area. These two strategies will create tremendous opportunities for Hong Kong, although its role in them is a matter of debate.

Hong Kong has a freely convertible currency and free movement of people, goods, capital and information. All of these factors have made Hong Kong the super-connector between the rest of China and the rest of the world. How-

ever, it is argued that the "superconnector" epithet has become increasingly hollow, as China continues to open up and establish direct links with many other economies. The wide application of the Internet in many business and social scenarios has accelerated the demise of Hong Kong's intermediary role. As a result, Hong Kong no longer monopolizes the China trade.

In view of this trend, I believe that Hong Kong should reinvent and upgrade itself to be a "super dealmaker," like a person who is skilled at bringing commercial or political deals to a satisfactory conclusion. We should not be satisfied with just being a good super connector. As a connector, one acts on what is already there. For example, when there is a need between two parties but they do not know how to fulfil it, a middleman or deal-broker connects the two parties and provides services to fulfil their mutual needs. A connector can easily lose out by making connections without taking his share.

A dealmaker has his ear to the ground and is always on the prowl for the next big idea. He is constantly on the lookout for a deal that he can buy or sell, a new concept that he can negotiate the license for, or a joint venture he can forge. Instead of fulfilling a need, a dealmaker creates both opportunity and value. A dealmaker is naturally a great communicator, influencer and negotiator and has a great sense of timing. This is what Hong Kong should aim for. The question is then whether Hong Kong has enough people with the relevant skills and talent to fulfil this role.

During the early 1970s to mid-1990s, British merchant banks, including Wardley (now renamed as HSBC

Investment Bank Asia Limited), Jardine Fleming and Schroders Asia, were the cradle of dealmakers in Hong Kong. However, most of these merchant banks (such as Wardley) have either transformed into American style investment banks (such as Jardine Fleming and Schroders Asia) or have been acquired by the United States' investment banks in the 1990s. Due to the growing success of Hong Kong as a major international capital formation centre for Mainland Chinese companies, most of the major investment banks operating in Hong Kong have focused on the multi-billion-dollar IPO business handed out by the Chinese state-owned giants at the expense of the advisory business. Over time, investment banking in Hong Kong has become a commodity business.

Nowadays, the kind of creative and solution-driven spirit of merchant banking is lacking and dealmakers are disappearing in the investment banking industry. Fortunately, some of them have moved to the venture capital or private equity industry or joined the corporate side and continued to be engaged in dealmaking.

The One Belt, One Road and the Guangdong-Hong Kong-Macau Bay Area initiatives provide a breeding ground for entrepreneurship and a dealmaking spirit. In order to capture the opportunities and be a leading force in the pursuit of these initiatives, Hong Kong should have the right orientation and change its mindset, with more emphasis placed on being a powerful dealmaker rather than an intermediary service provider. I long to see the revival of the entrepreneurial and vibrant dealmaking spirit that was prevalent in the 1970s and 1980s in Hong Kong.