HKUST IEMS
INSTITUTE FOR EMERGING MARKET STUDIES

THE GREATER BAY AREA: IMPLICATIONS FOR HONG KONG'S RELATIONS WITH SOUTHEAST ASIA

HKUST IEMS RESEARCH PROGRAM ON THE GREATER BAY AREA
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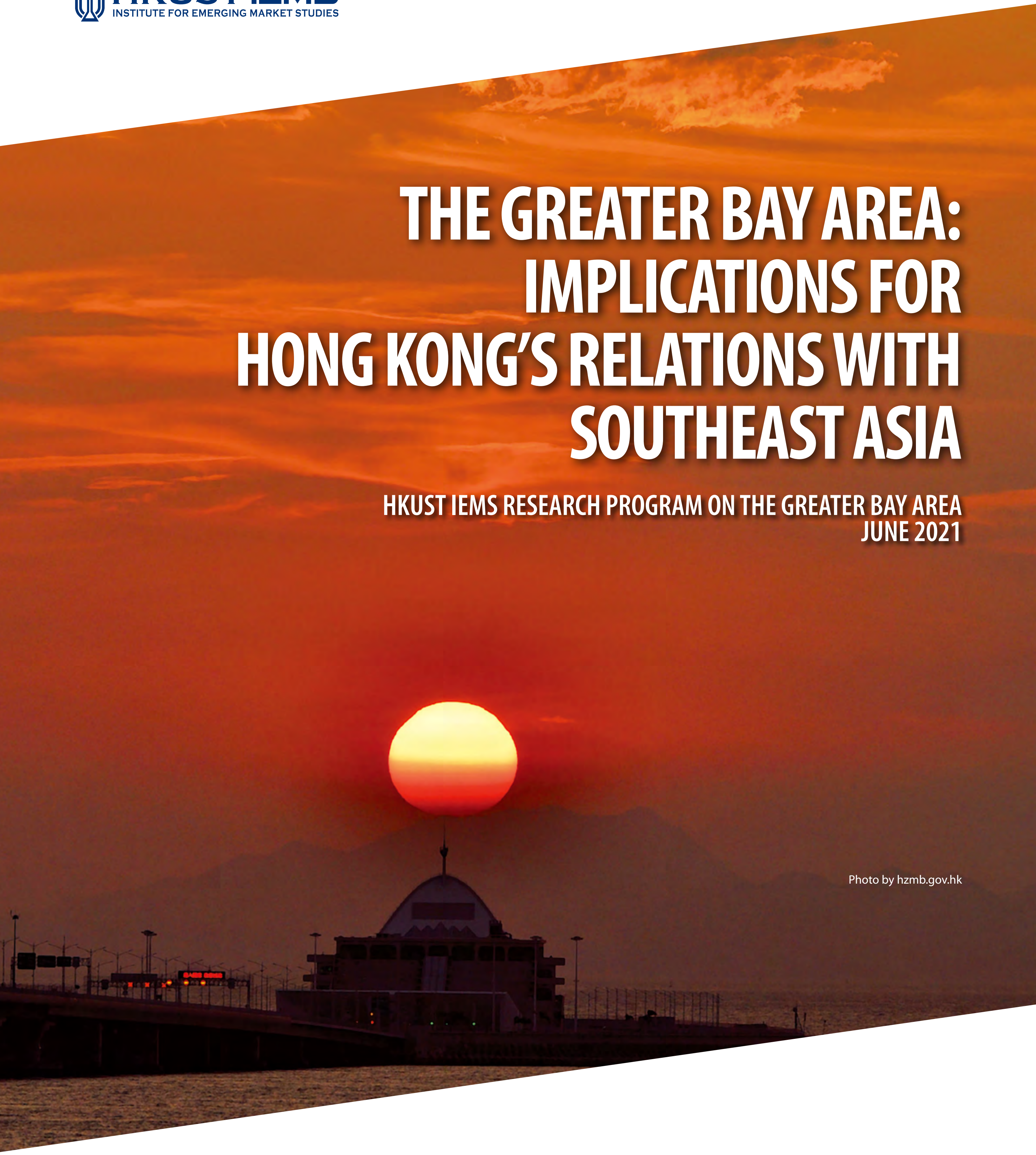

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INTRODUCTION AND EXECUTIVE SUMMARY

Hong Kong's deepening integration into the Greater Bay Area (GBA) will reduce existing barriers to flows of labour, goods, services and capital, and bring expanded growth business opportunities for the city. At the same time, leading Chinese cities such as Shenzhen and Shanghai are gaining in business sophistication as well as in economies of scale and scope. As it integrates further with China through the GBA, Hong Kong needs to find, develop and exploit new niches and opportunities if it is to collaborate effectively with the rest of the GBA.

In this report, we first explain why Southeast Asia or the countries of the Association of Southeast Asian Nations (ASEAN) could be one such area of immense opportunity. Hong Kong should find ways to tap into the accelerated economic transformation that Southeast Asia is poised to enjoy. This economic surge is powered by a confluence of tailwinds that will catalyse higher investment and faster growth.

The second part of the report then maps out Hong Kong's existing economic relationship with Southeast Asia in terms of trade in goods and services as well as capital flows and business services. Hong Kong has a considerable base on which to build an even deeper and expanded relationship.

The third part then looks at how Hong Kong can adjust to exploit the opportunities that a rejuvenated Southeast Asia presents. There are at least two dimensions of how Hong Kong might pivot to Southeast Asia's. One thrust of the strategy must be to differentiate itself from the other cities in the GBA. A major way of achieving this distinctiveness is to reprise its role as the gateway to mainland China for burgeoning Southeast Asian companies and vice versa, facilitating capital flows from mainland China (and the rest of the world) into Southeast Asia as investor interest in the region grows. Unlike other cities in the GBA, Hong Kong has been an international business hub with strong ties with Southeast Asia for a long time.

Hong Kong is attractively positioned to do so because of its comparative advantages in finance, professional services, trade-related services (e.g., logistics), and real estate development. However, it faces a challenge in that Singapore, positioned at the heart of the region, is already the Southeast Asian region's primary business hub. Hong Kong should therefore focus on areas where it has a clear edge over Singapore such as bank lending, equity financing, and in facilitating Southeast Asian companies' access to China.

To realise this vision, Hong Kong needs to enhance the quality and breadth of its linkages with Southeast Asia. This means three things: improving cross-border connectivity between itself, leading cities in the GBA and the rapidly growing economies in Southeast Asia; periodically enhancing the ASEAN-Hong Kong Free Trade Agreement (AHKFTA) to reduce trade barriers between GBA and ASEAN; and investing in institutions such as trade associations, economic dialogues and think-tanks that comprise the soft infrastructure needed to foster closer economic ties between Hong Kong and Southeast Asia.

PART 1: THE CASE FOR SOUTHEAST ASIA

Southeast Asia is on the cusp of an acceleration in economic growth that will prompt a faster pace of transformation, resulting in a more diversified economy with a much larger consumption base and a greater need for more sophisticated services. Slowly but surely, and despite some setbacks such as the ongoing COVID pandemic and the crisis in Myanmar, the region has been pursuing supply-side reforms and infrastructure improvements which enable it to leverage favourable trends in its environment, such as the speedier pace of reconfiguration of supply chains.

As a result of these tailwinds, we believe Southeast Asia is poised to regain the position it enjoyed in the late 1980s and 1990s as one of the most prominent destinations for global foreign direct investment (FDI): a node of high growth and business possibilities that attracted global capital. This in turn presents Hong Kong with an opportunity to facilitate such flows.

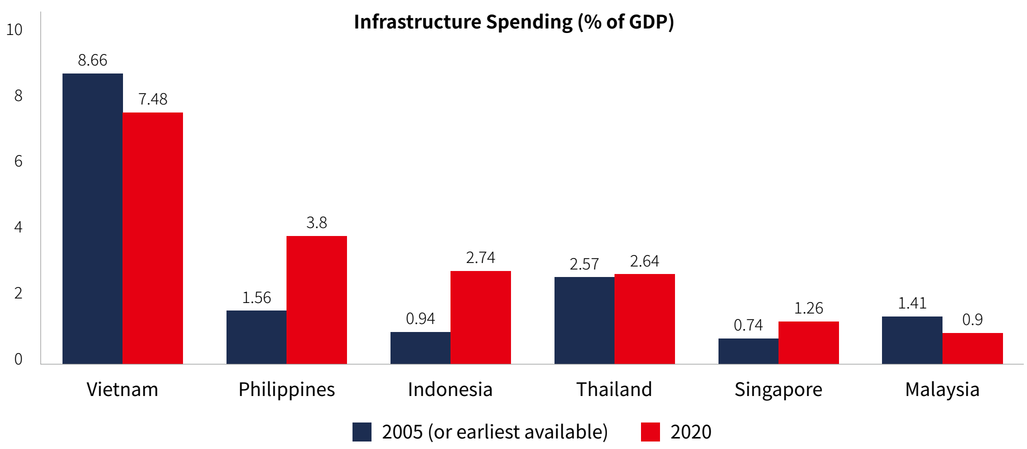
1.1 OVERCOMING THE INFRASTRUCTURE CONSTRAINT ON GROWTH WILL ACCELERATE REGIONAL GROWTH

Southeast Asian economies such as Indonesia and the Philippines have raised their spending on infrastructure as a share of GDP, while Vietnam has maintained a high rate of infrastructure investment (Chart 1). Thailand is also embarking on a series of large infrastructure projects ranging from high-speed railways, a substantial expansion of mass transit networks within Bangkok, and port and airport construction in the Eastern Economic Corridor. Malaysia, which already has relatively good physical infrastructure, is also stepping up spending on high-speed railways and mass transit networks as part of its economic transformation programme.

Their efforts to "crowd in" private investment have been temporarily curtailed as a result of the disruptions brought about by the pandemic. For instance, several large projects such as the Jakarta-Bandung high speed railway in Indonesia have slowed down while in Thailand, the disbursement rate for budgeted spending on infrastructure fell to just 37% in 2020.

As the pandemic comes under control and growth resumes, the build-out is set to resume and governments will be able to accelerate infrastructure spending. For example, Indonesia has made headway in establishing a sovereign wealth fund dedicated to funding infrastructure construction, the Indonesian Investment Authority, which has already raised USD20 billion that will be deployed to accelerate its infrastructure development programme.

Chart 1 - Higher public spending on infrastructure



Source: CEIC, Centennial Asia Advisors

1.2 SUPPLY-SIDE REFORMS IMPROVE THE BUSINESS ECOSYSTEM AND CROWD IN INVESTMENTS

The region's governments have been trying to improve the business ecosystem to attract foreign and domestic investment from the private sector. Indonesia has made considerable progress in moving up in the World Bank's ease of doing business rankings. Indeed, the pandemic may have played a part in spurring policymakers in the region to dust off their supply-side reform agendas to generate more growth through stronger domestic and foreign investment.

Indonesia recently passed an Omnibus Bill, an ambitious legislative reform of regulations that covers many sectors of the economy. The most transformative set of reforms pertain to the labour market, where onerous rules on firms have been reduced without compromising worker protection. In particular, the burden of severance compensation — a major bugbear for foreign investors — was reduced. The Bill also addresses other areas of weakness in the investment environment. It will now be easier for companies to obtain permits and licenses. The government has reformed its negative investment list, cutting the number of sectors where private investment is limited to just six from more than 300 sectors.

In addition, Indonesia is also working on enhancing its attractiveness to foreign investors by liberalising restrictions on foreign ownership in manufacturing and other areas. The recent publication of a new Negative Investment List was welcomed by foreign investors for reducing the number of sectors where foreign investment was discouraged and raising the caps on foreign ownership.

The Philippines, once viewed as a laggard in such economic reforms, has also been working hard to improve its business ecosystem. The deregulation of the rice distribution sector is an example of such reforms reducing costs in the economy. The country has also passed a number of laws to reform its tax system.

As a result, Southeast Asian economies have mostly improved their relative rankings in the World Bank's Ease of Doing Business report (Chart 2).

Chart 2 - Supply side reforms: Southeast Asia moves up the rankings in ease of doing business

World Bank Ease of Doing Business Rankings											
Year	**China**	**Hong Kong**	**Indonesia**	**India**	**Korea**	**Malaysia**	**Philippines**	**Singapore**	**Thailand**	**Taiwan**	**Vietnam**
2010	79	2	121	134	16	21	148	1	19	33	78
2015	84	5	109	130	4	18	103	1	49	11	90
2020	31	3	73	63	5	12	95	2	21	15	70

Source: CEIC, Centennial Asia Advisors

1.3 INCREASING SYNERGIES FROM REGIONAL INTEGRATION EFFORTS

In recent years, even as global multilateral trade deals proved difficult to pull off, countries in Southeast Asia have succeeded in widening the range of free trade agreements and economic partnership agreements they are participating in.

Brunei, Malaysia, Singapore, and Vietnam have signed onto the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) which brings it closer in economic partnership with Japan, Australia, New Zealand, Canada and Latin American economies. This is seen as a high-level "21st Century" trade agreement that goes beyond just tariff reductions to address a range set of issues that facilitate wider trade and investment flows in the region. It is possible that the CPTPP will expand over time to include Thailand and South Korea, with a possible tie-up with China and the United Kingdom in time.

The ten member countries of ASEAN have also signed onto the Regional Comprehensive Economic Partnership (RCEP) together with China, Japan, South Korea, Australia and New Zealand. The RCEP has the advantage of wider geographic coverage than the CPTPP even though its liberalising efforts are more focused on tariff reductions.

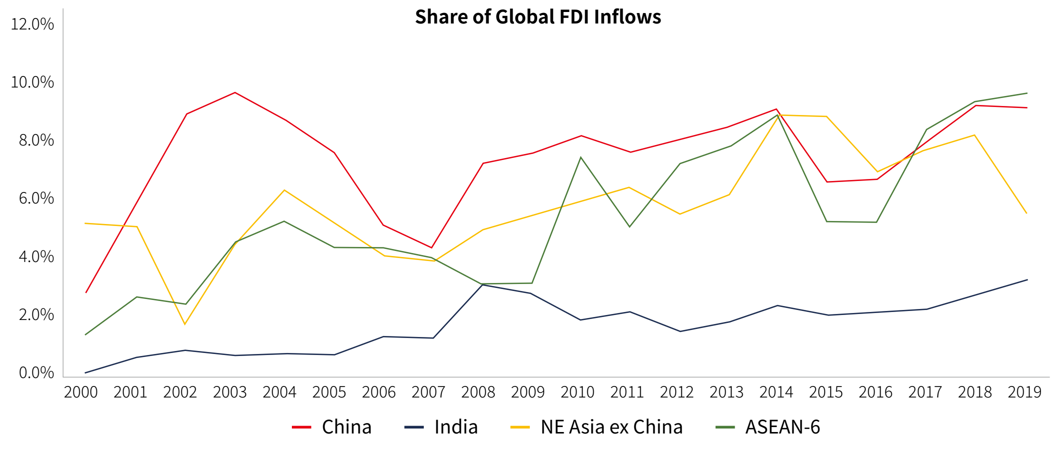
The northern part of Southeast Asia is now enjoying the payoff from the Greater Mekong Sub-Region initiative which has brought Myanmar, Thailand, Laos and Vietnam into closer economic integration with the two southernmost provinces of China. The result has been an impressive expansion of trade, investment and people flows within this region.

Other Southeast Asian economies are exploring ways to thrive in a possibly more challenging trade environment by expanding their economic space. For Vietnam, this means pursuing free trade agreements (FTAs) with as many economic partners as possible, its FTA with the European Union (EU) being the latest major improvement in its connectivity with the global economy.

1.4 FASTER PACE OF SUPPLY CHAIN RECONFIGURATION SPURS RELOCATION OF ACTIVITY TO SOUTHEAST ASIA

China's entry into the World Trade Organisation in 2001 spurred a massive reallocation of capital as global corporations realised that they had not located sufficient production capacity in a China that was rapidly becoming the factory of the world. Southeast Asia, which before this had been a popular destination for multinationals looking for low-cost production venues, saw its share of global flows of foreign investment diminish as capital was re-allocated to China. Today, this process is going into reverse and the relative advantage is shifting back in favour of Southeast Asia for a number of reasons (Chart 3):

Chart 3 - ASEAN regaining share of global flows of foreign investment



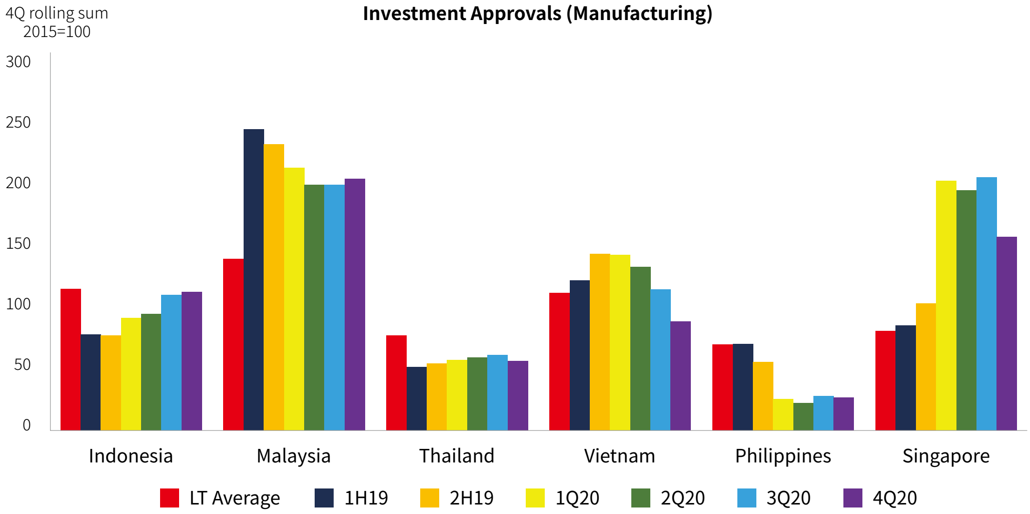
Source: UNCTAD World Investment Report, Centennial Asia Advisors

First, the reconfiguration of Asian supply chains had already been underway for some time, owing to rising land and labour costs as well as a more expensive currency in China over the past decade.

Second, this reconfiguration has been hastened of late as heightened trade tensions between the US and China in 2018-19 culminated in the imposition of wide-ranging tariffs on Chinese exports to the US. The deepening geopolitical tensions between the US and China have also raised the incentive for global corporations to ensure they had production locations in addition to China since exporting from non-Chinese production bases was likely to be less susceptible to American policy measures targeting China.

Third, the exigencies of the pandemic, including severe disruptions to goods supply chains and delivery times mean that corporate executives will increasingly seek supply chain robustness and resilience, in addition to efficiency.

Chart 4 - Investment approvals in Southeast Asia

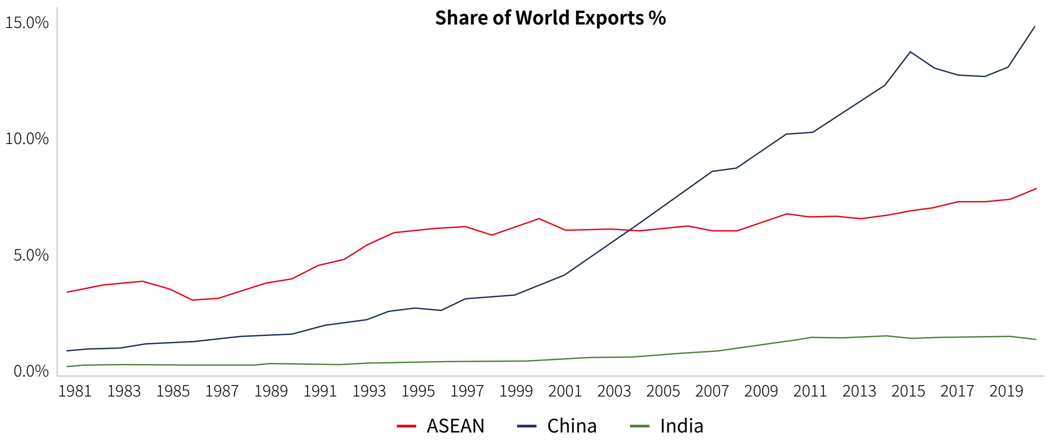


Source: CEIC, Centennial Asia Advisors

Consequently, manufacturing investment approvals shot up in 2019 in Malaysia and Vietnam (Chart 4). Singapore is also witnessing a step-up in advanced manufacturing FDI inflows. Even in Indonesia, a notable laggard, manufacturing FDI inflows have increased in the last two years.

We therefore expect the centre of gravity of Asian supply chains to shift gradually towards Southeast Asia. This, in turn, will improve Southeast Asia's export potential. As Chart 5 shows, the region has in fact been able to hold its own in terms of its share of world exports, even in the face of China's export surge in the last four decades. The region should be able to raise its export share in world markets as more production is relocated to the region.

Chart 5 - Southeast Asia's export share has held up in the face of stiff competition



Source: CEIC, Centennial Asia Advisors

1.5 SECULAR UPTURN IN GLOBAL TECHNOLOGY DEMAND

The region is also more exposed, vis-à-vis other emerging economies, to the global electronics sector which is in the midst of a secular upturn driven by the rollout of 5G networks, rising semiconductor content in electronic devices, and the maturation of next-generation technology applications such as artificial intelligence, machine learning, and the Internet-of-Things (IoT).

The forthcoming inflection in demand that we see in these technology end-markets will spur a higher rate of investment that spills over into the Southeast Asian region, given its exposure via the regional electronics supply chain.

1.6 SOUTHEAST ASIA AS A MARKET IN ITS OWN RIGHT

Southeast Asia's previous period of boom in the late 1980s and 1990s was based on the region's then growing prowess as an export-oriented manufacturing hub. While it can reprise that role to a considerable extent as we argue above, Southeast Asia is also becoming attractive to global businesses including those from China because its own market has become so much more attractive.

The ASEAN region has a current population of around 660 million which makes it larger than the European Union or North America. It generated a nominal current dollar gross domestic product of just over USD3,106 billion in 2020, making it the fifth largest economy in the world if it were considered as a single economy, and larger than the Indian economy. The key determinants for the rapid growth of market size are in place. Already large, its market size will expand as economic growth, which has been averaging around 5.3% in the 10 years up to 2019, accelerates. Moreover, the region is urbanising rapidly – currently it is about 48% urbanised and we project that figure to be above 60% by 2025, which will give it a further fillip.

The digital economy as a case study of business opportunities

The pandemic has served as a catalyst for the burgeoning digital economy in Southeast Asia by pulling forward trends that were already underway. Demand for digital services such as e-commerce, food delivery, and online education surged as restrictions on social mobility were imposed. This has encouraged a shift to digital business models, hastened the adoption of digital payments, and propelled nascent growth engines in telehealth and educational technology.

It is estimated that more than one in every three users of such digital services began using them due to COVID-19, with the majority of new users coming from non-metropolitan areas. More generally, the size of the Internet economy in Southeast Asia is projected to exceed USD300 billion gross merchandise value (GMV) by 2025, up from USD100 billion in 2020. Southeast Asia is now home to 12 Internet "unicorns", private companies that are valued above USD1 billion.

As the global economy progresses toward normalcy, the rapid growth in demand for digital services will slow somewhat, but many of these trends are expected to persist beyond the pandemic.

In short, the substantial improvements in the underlying fundamentals of Southeast Asia should result in a higher investment share of GDP and a marked acceleration in growth in the coming years. The region would also see a significant qualitative transformation of its economies, one that will require a wider range of supporting services that a globally competitive Hong Kong can provide. More so than before, Southeast Asia is likely to be a compelling economic region for Hong Kong to deepen its linkages.

PART 2: THE CURRENT ECONOMIC RELATIONSHIP BETWEEN HK AND SOUTHEAST ASIA

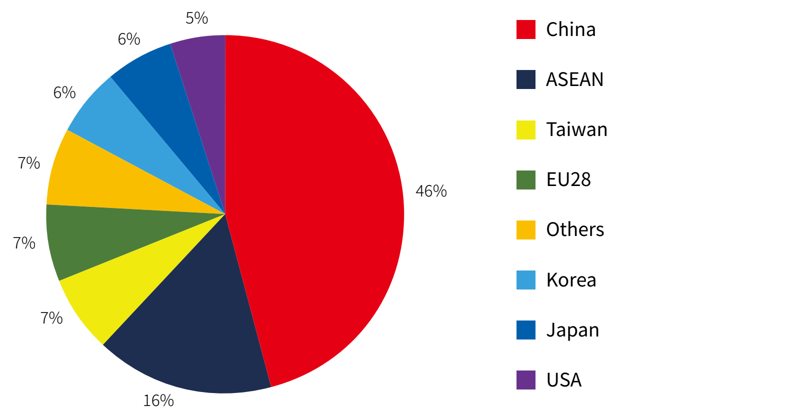
This part maps out the existing economic relationship between Hong Kong and Southeast Asia. It suggests that Hong Kong has a strong base from which to expand and deepen its relationship with Southeast Asia. We also sketch out how the relationship might evolve over time, and how best Hong Kong's policymakers can support the economy's pivot to Southeast Asia.

2.1 TRADE IN GOODS

Southeast Asia is currently Hong Kong's second largest trading partner, after mainland China: ASEAN accounted for 16.1% of Hong Kong's imports and 7.3% of its re-exports in 2018 (Chart 6). While Malaysia and Singapore accounted for most of Hong Kong's imports from ASEAN, the latter's re-exports to ASEAN are much more diversified by geography (Chart 7).

Hong Kong is also an important entrepot for mainland China-ASEAN trade: approximately HKD240 billion in mainland China's goods imports from ASEAN and HKD210 billion in exports from mainland China to ASEAN were routed through Hong Kong in 2019 (Chart 8).

Chart 6 - Hong Kong Imports by Major Trading Partners (2018)



Source: Hong Kong Census and Statistics Department, Centennial Asia Advisors

Chart 7 - Hong Kong's goods trade with ASEAN

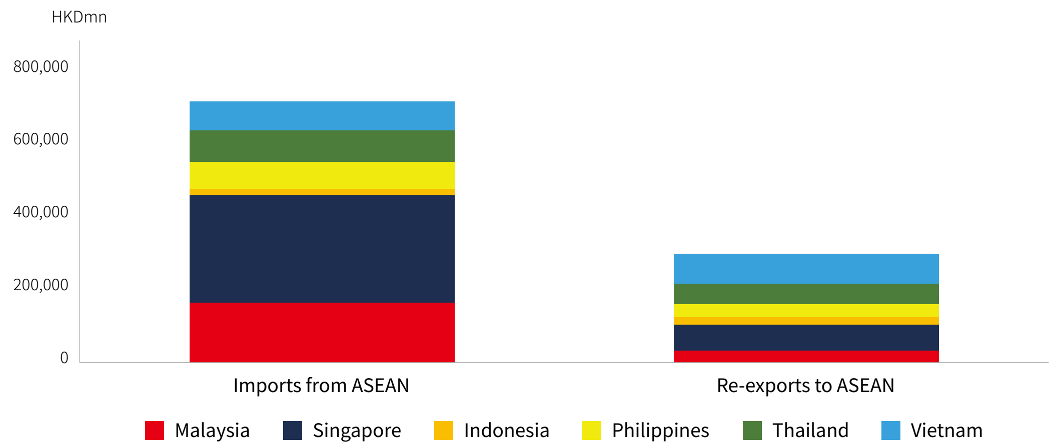
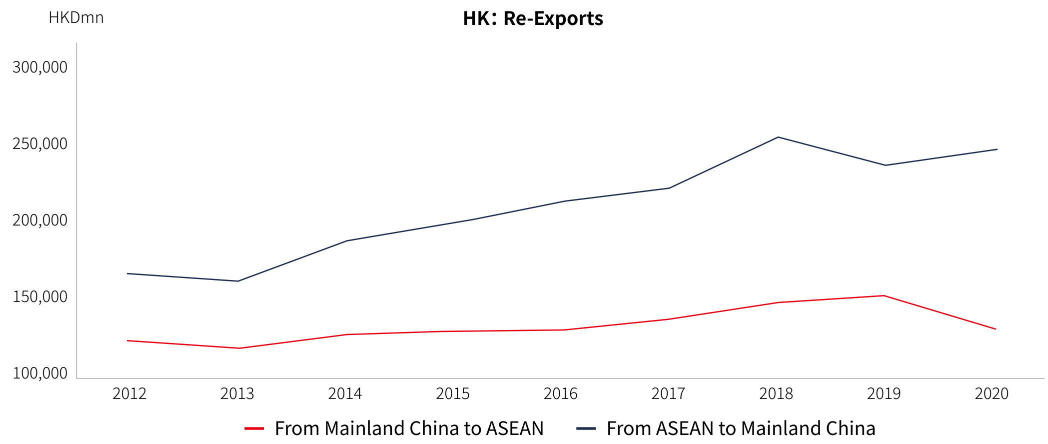


Chart 8 - Hong Kong as an entrepot for mainland China-ASEAN trade

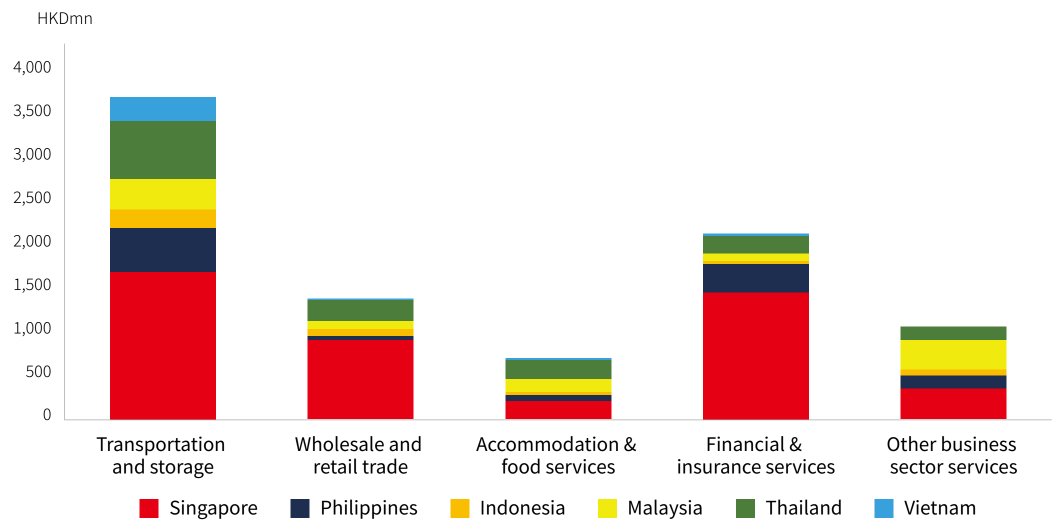


Source: CEIC, Centennial Asia Advisors

2.2 TRADE IN SERVICES

Aside from tourism or people flows between the two regions, Hong Kong exports a range of high value-added services to Southeast Asia. Demand for "transportation and storage", Hong Kong's largest services export, is broad-based in terms of geography, reflecting its key entrepot hub function. This is followed by exports of "financial and insurance activities" which is dominated by its bilateral links with Singapore, the other major financial centre in the region (Chart 9).

Chart 9 - Hong Kong's services exports (excl tourism) to ASEAM in 2015



Source: CEIC, Centennial Asia Advisors

2.3 CAPITAL FLOWS

As a global and regional hub for capital flows, Hong Kong intermediates a substantial and increasing amount of FDI from mainland China into the ASEAN economies (Table 1).

FDI from mainland China into ASEAN economies rose nearly 150 percent between 2010 and 2019 to USD9 billion, but this was dwarfed by the nearly 300 percent increase in FDI from Hong Kong into ASEAN in the same period which, given the preponderance of manufacturing, likely includes FDI of Chinese origin by Chinese firms based in Hong Kong (Table 2).

That said, Hong Kong is becoming a significant source of FDI into the ASEAN economies in its own right, particularly in real estate and the finance and insurance sector.

Table 1: ASEAN FDI by Major Source (USD billion)

	2010	2019	% Share in 2019	Accumulated Change in 2019/2010
Total	108	158	100	+46%
Singapore	8.9	15.6	9.8	+75
US	15.4	24	15.2	+56
Japan	12.8	20	13.0	+56
Hong Kong	2.8	11	7.0	+292%
China	3.6	8.9	5.6	+147%

Source: ASEAN-Secretariat FDI Database, Centennial Asia Advisors

Table 2: Hong Kong's FDI in ASEAN by Selected Major Sectors (2012-19 average)

Sector	% of Total
Manufacturing	24.2%
Real estate activities	21.3%
Wholesale and retail trade	11.2%
Financial and insurance activities	5.4%
Construction	4.9%
Information and communications	1.8%

Source: ASEAN-Secretariat FDI Database, Centennial Asia Advisors

2.4 BUSINESS HUB AND GATEWAY TO CHINA FOR SOUTHEAST ASIA

Hong Kong already hosts a large number of Southeast Asian companies which use the city as a listening post or hub to coordinate their business interests in China. These companies are comfortable with the factors in Hong Kong that distinguish it from mainland Chinese cities – the rule of law including the use of common law; the much greater knowledge base in Hong Kong of Southeast Asian culture, language and business practices; the ecosystem of sophisticated providers of a range of business services; and Hong Kong's standing as one of the most open economies in the world.

2.5 KEY DRIVERS OF THE RELATIONSHIP BETWEEN THE TWO REGIONS

Given the above, how would the economic relationship in terms of such flows of goods, services, and capital between the two regions evolve in the near future?

First, the Greater Bay Area, with Hong Kong embedded in it, will move up the value chain to become more sophisticated in manufacturing production and provision of high-value services. As the region specialises in higher-value activities, its lower value-added are likely to move out, some of it to Southeast Asia.

The GBA region is well-positioned to move up the value curve, beyond its existing abilities in advanced manufacturing. The Shenzhen-Hong Kong-Guangzhou cluster was ranked the second most innovative cluster in the global economy by the Global Innovation Index in 2020, behind Tokyo-Yokohama.

These processes will naturally lead to an increase in factor costs (land, labour), causing some lower-end manufacturing to peel off to Southeast Asia and accentuating the ongoing reconfiguration of regional supply chains.

Second, Hong Kong and the rest of the Greater Bay Area (GBA) will be seen in the coming years as an important export market for Southeast Asian firms and vice-versa. China's ongoing efforts to increase domestic consumption as an engine of growth will see it expand social insurance and transfers to households, enhance the provision of public services, and grant urban residency to a greater proportion of the migrant worker population. To the extent that this leads to a larger wage share of Chinese GDP with the attendant gains for household consumption, Southeast Asian firms will seek to capture a slice of this growth. Likewise, the growth acceleration that we envisage taking place in Southeast Asia as a result of the supply-side boosts discussed earlier means greater opportunities for firms based in the GBA.

Third, a higher investment rate in Southeast Asia as supply-side boosts from infrastructure investments and business ecosystem reforms "crowd in" private sector investment, and as foreign capital seeks to tap into new sources of growth, especially in Southeast Asia's burgeoning digital economy. All this implies substantial funding needs, over and above what Singapore – the other major financial centre in the region - can provide on its own. Indeed, Hong Kong's unique strengths - deep public and private capital markets – mean that it may better equipped to serve the financing needs of Southeast Asia.

PART 3: WHAT ARE THE IMPLICATIONS FOR HONG KONG?

The likely changes in the Greater Bay Area (GBA) and Southeast Asia will mean an increase in the intensity of foreign direct investment (FDI) flows between these jurisdictions. We are also likely to see a more diversified funding landscape due to incremental portfolio capital inflows from mainland China and the West that will soon eclipse flows from the rest of East Asia (mainly Japan), and increased demand for high value-added services (e.g., professional, legal services) as the GBA moves up the value curve and Southeast Asia realises more of its economic potential.

All this presents an unique opportunity for Hong Kong to position itself as a regional hub that is the interface between the Greater Bay Area and Southeast Asia, providing all manner of financial, advisory, legal and other professional services, while also acting as a transportation (aviation, maritime) hub to facilitate trade and people flows between the two regions.

3.1 STRATEGIC THRUSTS FOR HONG KONG TO CONSIDER

Two key strategic thrusts are proposed for Hong Kong to maximise its benefits from Southeast Asia's growth. The first is to distinguish itself from its competitors in China such as Shanghai. The second is to exploit areas of competitive advantage vis-à-vis Singapore, currently the region's primary business hub.

What should Hong Kong focus on? The following areas offer substantial opportunity for Hong Kong:

- Facilitating Chinese and ASEAN companies as they enter each other's markets: Hong Kong offers a far more compelling case than Singapore as a facilitator of China-ASEAN business flows. It has a much larger base of Chinese companies than Singapore. It offers an extraordinary array of business relationships with Chinese companies all over China that Singapore simply cannot match. Moreover, the flow of information and business intelligence on China is also considered superior in Hong Kong than in mainland Chinese cities given Hong Kong's currently freer media environment.

- Bank lending: The majority of Hong Kong's cross-border bank lending, about 30 percent of total banking system credit, is funnelled to Mainland China. There is scope for more of this to be diverted or channelled to Southeast Asian borrowers, given the accumulated experience and expertise of its financial institutions which Hong Kong can tap on to meet increased funding demands in Southeast Asia.

- Singapore, with its well-established Asian Dollar Market, backed by a critical mass of financial institutions based there and a favourable regulatory and tax regime, is obviously a serious competitor to Hong Kong in this respect. However, Hong Kong also has a critical mass of financial institutions but with the added dimension of hosting large Chinese banks seeking to tap into Southeast Asia.

- Equity financing: The Singapore stock market is small compared to Hong Kong's. In mid-2020, the Hong Kong Exchange boasted a total of 2,082 companies listed on its main board and its growth enterprise market (GEM). Its total market capitalisation was in excess of USD4.1 trillion. In contrast, the Singapore Exchange has a market capitalisation of just USD810 billion for its 749 listed companies. Growth companies in Southeast Asia seeking a globally scaled stock exchange to list will inevitably prefer Hong Kong over Singapore.

- Real estate services: The large presence of the real estate sector in Hong Kong at over 25 percent of GDP, with expertise in different parts of the value chain ranging from property development to real estate management services mean that Hong Kong can facilitate real estate investment inflows into Southeast Asia.

- Infrastructure financing: Hong Kong has been facilitating global infrastructure projects for some time through its Infrastructure Financing Facilitation Office (IFFO).

3.2 POLICY CHANGES TO MAXIMISE HONG KONG'S BENEFITS

Given the likely changes in both the Greater Bay Area and Southeast Asia over time, Hong Kong should position itself to maximise the benefits from its economic relationship with both regions by enhancing the quality and breadth of its linkages with a rapidly growing SE Asia.

In practice, this means three things:

- Improving cross-border connectivity between itself, leading cities in the GBA and the rapidly growing economies in Southeast Asia;
- Enhancing the ASEAN-Hong Kong Free Trade Agreement (AHKFTA); and
- Investing in institutions such as trade associations, economic dialogues and think-tanks that comprise the soft infrastructure needed to foster closer economic ties between Hong Kong and Southeast Asia.

How could HK best position itself within the GBA to appeal to ASEAN? What are the factors that enable Hong Kong and SE Asia to interact in this way and what other factors might be impediments? What are the risk factors in both regions?

First, Hong Kong should aim to further improve cross-border connectivity between the GBA and Southeast Asia in the following areas: mobility of people and talent, logistical networks, and regulatory regimes.

Second, and in relation to the above, Hong Kong should periodically revisit the ASEAN-Hong Kong Free Trade Agreement (AHKFTA) and find ways to broaden or enhance it to reduce trade barriers between the Greater Bay Area (which encompasses two special administrative regions and three separate legal jurisdictions) and ASEAN.. Hong Kong should also quickly explore ways to join the Regional and Comprehensive Economic Partnership (RCEP).

Third, fostering closer economic ties between Hong Kong and Southeast Asia. It should be noted that Hong Kong already has an advantage over other leading mainland Chinese cities in this respect, given its historical links and proximity with Southeast Asia which afford it greater familiarity in navigating the region. Moreover, the geostrategic contest between the West and China has also led to a rise in geopolitical tensions in Southeast Asia. Against this backdrop, competing mainland Chinese hubs may be viewed by foreign capital as riskier and less sophisticated partners in Southeast Asia.

But Hong Kong cannot rely only on its current advantages. Beyond its existing efforts, Hong Kong needs deliberate policies to facilitate closer interactions and dialogues between the key actors in Hong Kong, the Greater Bay Area and Southeast Asia, with the aim of helping the private sector access markets on both sides. This includes customs agencies, professional services firms, financial institutions, business associations of small-and-medium enterprises, and large local enterprises. The Hong Kong government could also take the lead to establish a regular strategic economic dialogue between it and the key Southeast Asian economies.

Lastly, the Hong Kong government should invest in institutes specialising in deep research in the major Southeast Asian economies., This would deepen knowledge and understanding of the contours of business, policy and politics and Southeast Asia.

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