

# Do tougher laws hamper or aid financial hubs?

Amid ever-tighter competition, efforts to foster social cohesion and political trust must not be overlooked. **By Woo Jun Jie**

IN A bid to fast-track the legislation process of its new security law, Hong Kong gazetted its Safeguarding National Security Bill on Mar 9 and tabled it for vetting by its legislature on the same day.

Comprising 66 articles over six chapters that grant authorities greater power to uncover and address national security threats, the Bill plugs several legislative gaps by creating Hong Kong's own national security legislation, rather than relying on a national security law implemented by Beijing in the aftermath of the 2019 protests.

These developments have given rise to fears within the business community that the proposed legislation will erode, and ultimately disrupt, Hong Kong's position as an international financial centre.

This has in turn prompted Hong Kong's former chief executive Leung Chun-ying to question why Singapore does not face similar criticisms, despite having tougher laws on external interference.

## Political stability

Such business criticisms of Hong Kong's proposed security law run counter to long-held conventional wisdom that financial hubs thrive on political stability. Scholars and observers in the finance industry have long argued that political stability is the key driving force of successful financial sector development.

Theoretically, this means that efforts to strengthen governments' authority over domestic dissent and external influence should be welcomed by financial institutions that typically thrive on stability.

Such views are not just confined to the hallowed halls of academia.

A Goldman Sachs report found that up to US\$4 billion worth of capital may have left Hong Kong for Singapore in end-August 2019, at the height of the unrest. Following closely on the heels of this capital flight was an exodus of bankers and other financial-sector professionals.

Since both capital and bankers are so averse to political instability, shouldn't laws that aim to re-establish law and order be good news for financial institutions and businesses?

And if that were not the case, wouldn't Singapore have faced similarly severe backlash during the legislation of its Foreign Interference (Countermeasures) Act (Fica), as well as the invocation of the Act on an individual who



While Hong Kong's proposed security law and Singapore's Fica both deal with matters of national security, the two pieces of legislation are quite different. PHOTOS: UNSPLASH

was assessed to be vulnerable to foreign influence?

In order to understand this disparity, it is important first of all to note that the two pieces of legislation – Fica and Hong Kong's proposed security law – are not all that similar.

Unlike Fica – which spells out in great specificity definitions of foreign interference; penalties and actions that should be taken by authorities in the event of such interference; and avenues for appeal – Hong Kong's proposed security law is seen as overly broad and vague.

US State Department spokesperson Matthew Miller has pointed out that the proposed law adopts "broad and vague" definitions of what constitutes state secrets and external interference.

To be fair, some of this vagueness may be dispelled as the law goes through scrutiny by Hong Kong's lawmakers. In any case, there will likely remain differences between Fica and Hong Kong's security law.

## Importance of trust

Beyond the realm of legislation and legality however, the differing experiences of Hong Kong and Singapore in their respective legislative efforts to tackle foreign interference point to a deeper and more fundamental distinction between the two cities.

Singapore's ability to legislate and apply Fica stems from the deep political trust that its government enjoys with its populace. The 2023 Edelman Trust Barometer, an annual

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global survey on trust and credibility, found that the government remains the most trusted institution by most people in Singapore.

In contrast, a Chinese University of Hong Kong survey conducted in 2023 found that 38 per cent of residents polled would leave the city if given the opportunity, with perceived erosion of civil liberties and political instability cited as top reasons.

To be sure, citizen and business sentiments can be notoriously fickle. But one thing is certain: it is the confluence of political stability and trust that will ensure that a global financial centre will continue to thrive.

In order to attract and retain businesses, financial hubs will need to ensure that both stability and trust are built up. In an increasingly polarised world that is beset with geopolitical pressures of many forms, this will sound increasingly like a very tall order for political leaders and policymakers alike.

Yet the stakes remain high amid ever-tighter competition among financial hubs across the world. While foreign interference legislation will help ameliorate some of these pressures, efforts to foster social cohesion and political trust must not be overlooked.

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