

Minimum wage could harm HK, warns chamber

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Implementing regulatory policies such as the competition law or minimum wage could undermine Hong Kong's economic growth, the chairman of the Hong Kong General Chamber of Commerce has warned.

Andrew Brandler also told The Standard he thought the government's HK\$11 billion inflation relief package was linked to the upcoming Legislative Council election and disagreed with the prediction of Chief Executive Donald Tsang Yam-kuen that inflationary pressures would cease once the government's infrastructure projects were in full swing in 2010.

But Brandler held out hope, saying an economic downturn on the scale of that seen 10 years ago is unlikely.

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"The government has to be careful when formulating policies. Increasing regulations may bring unforeseen and undesired consequences as they may increase costs, especially under such a fragile economy as we have now," Brandler said, adding the chamber will reflect such an opinion when the government consults members on its upcoming policy address.

"If it [minimum wage] is to be implemented without thinking it through properly, the poor whom the policy is supposed to help can be at a disadvantage. Labor costs will be driven up and demand will be reduced."

With regard to a competition law, Brandler said it should be minimalist and concentrate on behavior.

He said global inflation was likely to continue for a while but the chamber still anticipates it to be 5 percent for this year, which is lower than a number of Asian developing markets.

"The [inflation] relief package can soften the blow to the community in the short term. But the timing suggests the government brought the package forward because of the election," Brandler said, adding that he does not agree inflation will level off when infrastructure projects begin in 2010.

"There is no direct link between infrastructure and inflation. In Hong Kong, it is the rising cost of imported goods that leads to inflation. But the economy can benefit with more infrastructure projects and there will be more jobs."

He said firms are now more cautious in making investments but the statistics do not show a dramatic slowdown.

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"I fear the global economic problem. Further subprime problems will lead to another round of writedowns of companies. The Chinese decoupling theory is rubbish, the global economy integrated more than 10 years ago," Brandler said.

He said an economic downturn like the one 10 years ago is unlikely and that "there is no evidence the economy will be rocky in the next couple of years."

Source: Bonnie Chen