

Budget Speech by the Financial Secretary (5)

Stimulating the Economy

Positioning and Directions for Economic Development

Assessment of Situation

53. Hong Kong has been leveraging the support from the Mainland while engaging the world. Over the past many years, we have been utilising our advantages in institutions, talents and external connections, and served as a bridge between our country and the rest of the world in different ways in response to our country's ever-changing needs. By doing so, Hong Kong has contributed to national development and at the same time promoted its own development and economic growth. Only by making good use of the advantages of "One Country, Two Systems" with the precondition of strengthening national security can we continue to play and even enhance our role on this front.

54. Over the past two years, Hong Kong has been affected by the deterioration of the China-US relations, and experienced the blow from the social incidents and the ravages of the pandemic. However, we should not let these challenges weaken our confidence in the future. Instead, we should learn from the experience and make correct assessment of the major development trends.

55. First, the world is facing profound changes unseen in a century. The economic gravity is shifting from West to East, and the political setting has also seen subtle changes. Our country's composite national strength has enhanced significantly, while other developing countries in Asia have undergone robust development. However, with the rise of unilateralism in recent years and the misunderstandings of some western countries towards Hong Kong's developments, we are facing greater difficulties. The epidemic has increased various countries' concerns about development security, which might further escalate protectionism. Some nations encourage or even ask enterprises to move back to their home countries, impacting on the development and setting of global value chains.

56. Second, the world is facing drastic disruptions brought by technological revolution, which have far-reaching implications for our personal life, modes of production and operation, economic structures, development prospects and international landscape. The pandemic has also accelerated changes in the mode of business operation and people's living habits. Making good use of digital technology is not only essential to effective business operation, but also crucial for preventing and combating the pandemic and protecting public health and safety. Whether a place can attain a leading position in I&T will determine its success or failure.

57. Third, green development is a major global trend. Environmental

pollution and climate change have become too serious to ignore. There is a general recognition in the international community that we should promote green and low-carbon development, which involves extensive new areas. The Government needs to have visions and determination; the people need to build awareness of environmental protection and corresponding habits; the business sector needs to develop and adopt novel technologies, and launch products of high efficiency. Other matching services such as financial support are also needed.

58. Fourth, as for Hong Kong, we have experienced many changes at different points in our history, but the support of our country has remained unchanged. With the advantages under “One Country, Two Systems”, Hong Kong has a unique and irreplaceable role in the national development.

Functions and Positioning

59. With its deep and extensive connections with the world, Hong Kong will continue to be an important platform for economic exchanges and trade between the Mainland and the international community. As mentioned in the Proposal for Formulating the National 14th Five-Year Plan, our country supports Hong Kong in consolidating and bolstering our competitive edges, building the city as an international I&T hub, fostering the development of the city as a B&R functional platform, and achieving diversified and sustainable development of the economy. With our country’s support, we can further capitalise on our advantages and realise our potential. We must step up our efforts to explore international economic and trade opportunities and actively participate in national development through making use of our industries with competitive strengths.

60. Hong Kong has prominent functional roles in various aspects such as pooling international capital and talent, and providing a platform to align our country’s standards with the international ones. In addition, Hong Kong serves as a testing ground and firewall in our country’s promotion of financial sector reform and opening up (such as the internationalisation of Renminbi (RMB)). Under our country’s dual circulation development strategy, Hong Kong will definitely achieve greater success in the future as long as we can give full play to our unique roles as a gateway, a springboard and an intermediary.

61. Leveraging our close proximity, Hong Kong can make use of the GBA development as an entry point, participating actively in the development of our country’s domestic circulation for capturing the enormous business opportunities. As an international metropolis that connects the world, Hong Kong can help the expansion of the country’s external circulation, and in consequence further strengthen its status as an international centre for finance, commerce and trade, as well as a home for corporate headquarters.

62. In the face of rising unilateralism, it is all the more important for us to actively promote multilateralism, dismantle various barriers and strengthen Hong Kong’s links with the international community. We should further expand Hong Kong’s trade, investment and tax agreement networks. The Free Trade Agreement and the Investment Agreement between Hong Kong and the

Association of Southeast Asian Nations have recently come into full effect. In November last year, our country signed the RCEP Agreement with 14 economies. We are actively seeking to be among the first batch of economies joining the RCEP after it comes into effect, so as to help Hong Kong businesses and investors open up markets, thereby fostering the long-term economic development of Hong Kong.

The Way Forward for Industries

63. From the perspective of industries, Hong Kong has huge development potential in areas including financial services, I&T, green economy, air cargo, supply chain management and professional services. Financial services are an important support to the real economy. On top of being a leading asset and wealth management centre, Hong Kong is also an international fundraising platform, an insurance and risk management centre and an offshore RMB hub. Our financial services can assist Mainland enterprises in raising funds, and provide outlets and risk management for Mainland funds, as well as facilitating the Mainland's ongoing financial liberalisation in a secure and orderly manner in support of the development of our country's real economy. We must continue to strengthen Hong Kong's leading position in the global financial market.

64. Hong Kong enjoys a number of advantages in I&T development, such as top-notch capabilities in basic scientific research, intellectual property rights protection, attractiveness to research talents from all over the world and first-class financial support services. In recent years, the Government has allocated substantial resources and implemented a number of preferential policies, and been blessed with our country's support. As long as we can leverage our advantages and achieve co-ordinated development with our brother cities that have advanced manufacturing industries in the GBA, we can form an I&T upstream, midstream and downstream industrial chain and develop the GBA into an international I&T centre, thus contributing to our country's technological self-reliance and at the same time identifying new areas of growth for Hong Kong's economy.

65. Nowadays, when everyone is striving to live a quality life, decarbonisation, waste reduction, building of a green environment and a sustainable city, etc. have become a social consensus. The international community, including our country and the European Union, have set achieving carbon neutrality as an important development goal. A significant synergy effect can be generated between green economy and other industries such as the I&T and financial sectors. Our robust green and sustainable financial services can contribute to the development of green economy in the Mainland and Hong Kong.

66. Hong Kong is a world-class logistics and supply chain management centre. With a well-established network of air routes, a highly efficient airport as well as simple and fast customs clearance procedures, Hong Kong's air cargo transport sector plays a leading role in the world. We will strive to enhance our intermodal transportation services in the future, with a view to increasing the global accessibility of the GBA. This will facilitate not only the exports of goods from the GBA to overseas markets, but also the

imports of quality products from around the world to the Mainland, meeting the increasing consumer demands there. Technology is reshaping the interplay between the supply of goods and the demand of consumers, and the prospects for our high-end logistics and supply chain management services are bright.

67. As our country seeks to achieve high-quality development, the demand for various types of professional services such as legal, accounting, construction and project management services is on the rise. These areas are where our strengths lie. Hong Kong's professionals can provide services in a market full of opportunities, and also promote the alignment of industry standards in the Mainland with those of the international community.

68. Apart from the above industries, there is also a growing demand for inclusion of cultural and creative elements in the cyber world. I will allocate additional resources to promote the development of cultural and creative industries, so that young people can have more employment and business start-up opportunities for unleashing their potential and realising their dreams.

Guangdong-Hong Kong-Macao Greater Bay Area

69. As mentioned earlier, the GBA is the best entry point for Hong Kong to participate in the domestic circulation of our country's economy. Be it for the mutual market access for financial services and products, cooperation and collaboration in respect of innovation and technology, or people's stay and living across the boundary, continued innovation in institutional and policy arrangement is needed so as to ensure a smoother two-way flow of funds, people and factors of production. The Guangdong-Hong Kong-Macao Greater Bay Area Development Office has been set up to strengthen the planning, coordination and promotion of the various policies and measures relating to GBA development, and enhance the community's understanding of GBA development. The Government also helps Hong Kong's businesses and youths to grasp the opportunities arising from GBA development through various schemes.

Belt and Road

70. Our country has signed cooperation agreements with about 170 countries and international organisations regarding the B&R initiative. The Government will continue to provide financing services to B&R infrastructure projects through leveraging Hong Kong's function as an international financial centre, encourage Hong Kong enterprises and professional services sectors to develop business in the overseas Economic and Trade Co-operation Zones set up by our country, and establish connections with Mainland enterprises and industry associations for jointly exploring new markets, thereby consolidating Hong Kong's role as a prime functional platform and key node for the B&R Initiative.

(To be continued.)