

# Budget Speech by the Financial Secretary (8)

## Expanding Market Coverage

89. Hong Kong is a fully open economy. Diversification is the key to sustain our economic vibrancy. We also need to expand our market coverage to create more room for development. We have before us a rare opportunity arising from the two development strategies that our country is pressing ahead with, namely the Greater Bay Area development and the Belt and Road Initiative. Both strategies are at the core of the national development agenda, offering opportunities for us to contribute to our country's development and give full play to our strengths.

## Guangdong-Hong Kong-Macao Greater Bay Area

90. The Greater Bay Area development is an important part of the national strategy to promote co-ordinated regional development. This also creates golden opportunities for Hong Kong to explore new directions, open up new horizons, and add new impetus. With a population of 70 million and an aggregate GDP roughly the size of Korea, the Greater Bay Area presents us with enormous business opportunities in close proximity to us.

91. The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (Development Plan), promulgated last week, is a milestone setting out the development directions for the Greater Bay Area up to 2035. The Development Plan identifies Hong Kong, Guangzhou, Shenzhen and Macao as the four core cities as well as core engines for regional development. Hong Kong, positioned as international financial, transportation and trade centres as well as an international aviation hub in the Greater Bay Area, will strengthen its roles as a global offshore Renminbi business hub and an international asset and risk management centre; and will devote great efforts to develop I&T industries as well as international legal and dispute resolution services. With all these advantages, we will seize the opportunity and make dedicated efforts to promote development in the Greater Bay Area to enhance its global competitiveness.

## Belt and Road

92. The gradual development of the Belt and Road into an economic and trade co-operation corridor spanning Europe, Asia and Africa has resulted in strengthening ties between different regions along the route. This will create greater room for Hong Kong's economic and social development. We are seeing positive outcomes in areas such as supporting industries in exploring markets, establishing business matching platforms for enterprises and encouraging our professional services sector to participate in Belt and Road projects.

93. Hong Kong has been serving as the premier platform for helping Mainland enterprises go global and bringing in foreign investment. Our well-developed fund-raising and insurance markets will enable us to serve as a financing and risk management centre for Belt and Road infrastructure projects. The Infrastructure Financing Facilitation Office under the HKMA is committed to promoting infrastructure finance and information exchange. The SFC has also set out the factors to be considered when reviewing listing applications of infrastructure companies, providing a clear guideline for them to seek listing in Hong Kong. Hong Kong is an international financial, trade, maritime and professional services centre. The Government will continue to encourage the Mainland and other Belt and Road economies to leverage on our strengths, including our professional services and talent.

94. The Policy Address indicated support for the development of a dispute resolution online platform by non-governmental organisations (NGOs) to enhance the development of LawTech in Hong Kong and consolidate Hong Kong's position as an international dispute resolution services centre. The NGO concerned is preparing for the development of a cross-boundary, efficient, secure and cost-effective platform for the provision of online arbitration and mediation, as well as smart contract and related services. I will provide \$150 million to support the development and initial operation of the platform. The platform will benefit local micro-enterprises and SMEs, as well as those in the Belt and Road economies, members of the ASEAN and beyond, and facilitate deal making as well as dispute avoidance and resolution.

#### The Government's Role

95. The Government strives to expand our market coverage to create business opportunities for enterprises. In the past year, we continued to expand our Free Trade Agreement (FTA) and Investment Promotion and Protection Agreement networks to provide protection for Hong Kong businesses to explore markets and invest in outside markets, and for foreign businesses to do the same in Hong Kong. Hong Kong has signed three FTAs with 12 economies since this term of Government took office. Our FTA negotiations with Australia and the Maldives were concluded last year. Our discussions with the UK on the proposals for closer economic ties are underway. We are exploring an FTA with the four members of the Pacific Alliance (namely Chile, Colombia, Mexico and Peru). We also plan to seek accession to the Regional Comprehensive Economic Partnership after completion of negotiations between ASEAN and relevant economies.

96. We have also been actively expanding our network of Comprehensive Avoidance of Double Taxation Agreements (CDTAs) to enhance our business environment and draw in investment. Taking into account the CDTAs concluded with India and Finland last year, we have already signed CDTAs with 40 tax jurisdictions, of which 13 are among Hong Kong's major trading partners and are accounting for 73 per cent of our total value of trade in 2017. Our target is to bring the total number of our CDTAs to 50 in the next few years.

97. The Government is also committed to expanding its Economic and Trade

Office (ETO) network to strengthen external promotion, thereby exploring new business opportunities for Hong Kong enterprises. At present, the Government has two ETOs in ASEAN, one in Jakarta and the other in Singapore. With the establishment of the Bangkok ETO, we will forge stronger economic and trade ties with ASEAN. We are making good progress in our negotiations with the United Arab Emirates government to set up the Dubai ETO. We will also continue our discussion with the governments of India, Korea and Russia on the detailed arrangements for setting up ETOs in their territories.

### Building Capacity

98. Looking ahead, we should be more proactive in diversifying the economy and extending market coverage so as to offer more opportunities for our young people. I believe capacity constraints are the obstacles hindering the development of emerging industries and a diversified economy in Hong Kong. A large pool of talent with innovative capabilities will be required to develop such talent-intensive industries as I&T. Also, land will be required to support emerging economic activities. We will continue to introduce measures to overcome these obstacles and build capacity for the sustainable economic development of Hong Kong. I will elaborate on the Government's measures to develop other industries, produce land and build capacity later in my speech.

(To be continued.)