

# CE's speech in delivering "The Chief Executive's 2021 Policy Address" to LegCo (3)

## IV. New Impetus to the Economy: Integration into the National Development

### Leveraging Our Country and Engaging Ourselves Globally

38. The loud and clear heading of "Integration into the National Development" in the economy chapter in this year's Policy Address has expressly stated that the developments of Hong Kong and our country are closely related. Only by leveraging the Central Government's policies in support of Hong Kong can we give full play to our unique strengths, which will in turn bring continuous impetus to our economy.

39. Hailed as an economic miracle, Hong Kong has evolved from an obscure fishing port to an international financial, trade and transportation centre today. Having undergone numerous rounds of restructuring, regardless of whether they occurred before or after our return to the Motherland, the Hong Kong economy has always been closely intertwined with the development of our country. Driven by changes to the external environment, guided by the direction of the Mainland policies and led by the market forces, all these restructuring processes have been attributed to the remarkable acumen, brilliant versatility and "can-do" spirit of Hong Kong entrepreneurs. The current-term Government stresses that we should play the role of a "facilitator" and a "promoter" to keep connecting with the world to open up markets and explore business opportunities for our enterprises. Yet, notwithstanding the huge Mainland market, the local political forces against the Central Government have more often than not stood in our way, preventing us from reaping fully the benefits of our country's development.

40. Fortunately, the implementation of the National Security Law and the improvement to our electoral system have restored safety and stability in society. Hong Kong is now ready again for a new start for economic development. The 14th Five-Year Plan, the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, the Plan for Comprehensive Deepening Reform and Opening Up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone, the economic development pattern of not only greater domestic circulation but also domestic and international dual circulation, as well as the Belt and Road Initiative, have brought unlimited opportunities for enterprises and professional services providers in Hong Kong, thereby allowing Hong Kong to benefit from its proximity to the Mainland. I will highlight how we shall leverage the Central Government's support to enhance our competitiveness as the eight international centres or hubs charted in the 14th Five-Year Plan with a view to building a brighter future for Hong Kong. We have prepared fact sheets on each centre/hub for promotional purposes. All are welcome to read and help distribute to those interested.

## Enhancing Hong Kong's Status as an International Financial Centre

41. The financial services industry is an important pillar of our economy and the most internationalised industry of all. Despite unprecedented challenges in the past two years, our financial system has remained stable and business has been vibrant. Evidently the Mainland's sustained economic growth and the further opening up and reform of its financial sector have provided strong support for the development of our financial services industry. Capitalising on our advantages under "One Country, Two Systems", Hong Kong's role as a bridge for international investors to access the Mainland market and for Mainland funds to reach out to the international market will be all the more significant.

42. At the talks on the 14th Five-Year Plan for various sectors in Hong Kong, the Central Government delegation has reiterated support for Hong Kong to further promote mutual financial market access with the Mainland, develop offshore Renminbi (RMB) business, strengthen its position as an international asset management centre and a risk management centre, develop into a green finance centre in the GBA and promote, amongst others, its financial services towards high-end and high value-added development. In this connection, we will step up our efforts in the following five areas:

(i) supporting the Hong Kong Exchanges and Clearing Limited (HKEX) to further enhance our listing regime, and to establish a listing regime for special purpose acquisition companies in Hong Kong after consulting the market;

(ii) expanding further the channels for the two-way flow of cross-boundary RMB funds and developing offshore RMB products and tools, including looking into specific measures to enhance demand for the issuance and trading of RMB securities and allow stocks traded via the southbound trading under Stock Connect to be denominated in RMB;

(iii) further attracting family offices to establish a presence in Hong Kong by considering the provision of tax concessions, thereby enhancing Hong Kong's status as an international asset and wealth management centre;

(iv) supporting the HKEX to promote co-operation with the Guangzhou Futures Exchange in financial product development related to the areas of carbon emission trading, and assessing the feasibility of developing Hong Kong into a regional carbon trading centre, thereby strengthening Hong Kong as a regional green and sustainable finance hub; and

(v) promoting cross-border financial technologies (Fintech) and actively exploring with the Mainland the formation of a one-stop sandbox network to facilitate financial institutions and information and technology companies from Guangdong, Hong Kong and Macao to test cross-border Fintech applications.

## Enhancing Hong Kong's Status as an International Transportation Centre

43. To enhance Hong Kong's status as an international transportation centre, our port has to maintain its strengths of high efficiency, good connectivity

and wide coverage. We will also need to promote wider application of digital technology in business processes and operations by the maritime and port industry for the development of a "Smart Port". We will explore, in collaboration with the industry, concrete initiatives to drive the development of a "Smart Port". On logistics, we have to further facilitate the flow of logistics information in the GBA and improvements to intermodal operation. We also need to develop high value-added logistics and encourage the logistics industry to make wider use of technology to enhance productivity.

44. Another major development direction is high value-added maritime business services, including ship registration, ship finance and management, marine insurance, and maritime legal and arbitration services. Tax concessions will be introduced to attract members of the maritime industry to establish a business presence in Hong Kong. The HKSAR Government will also expand the overseas service network of the Hong Kong Shipping Registry of the Marine Department. In addition to desk services in London, Shanghai, Singapore and Sydney, new desks will be set up in San Francisco, Tokyo and Toronto to provide better support for Hong Kong registered ships.

45. In terms of cross-boundary land transport, three major cross-boundary infrastructure projects, namely the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Hong Kong-Zhuhai-Macao Bridge (HZMB) and the Liantang Port/Heung Yuen Wai Boundary Control Point, were completed one after another in the past few years, thereby helping Hong Kong integrate into the "one-hour living circle" in the GBA and enhancing connectivity of infrastructure in the GBA. The governments of Hong Kong and Shenzhen have established the "Task Force for Hong Kong-Shenzhen Co-operation on Cross-Boundary Railway Infrastructure" to jointly develop the "GBA on the Rail". Besides, the governments of Guangdong and Hong Kong are pressing ahead with the "Quota-free Scheme for Hong Kong Private Cars Travelling to Guangdong via the HZMB". After the epidemic situation is brought under control and the removal of quarantine requirements for cross-boundary travel is gradually implemented, the Scheme will allow eligible Hong Kong private cars to travel between Hong Kong and Guangdong via the HZMB without the need to obtain a regular quota in advance. The governments of Guangdong and Hong Kong have also agreed to extend the Scheme to cover another land boundary control point in due course.

#### Enhancing Hong Kong's Status as an International Trade Centre

46. Having the advantage of being a highly internationalised city, Hong Kong plays an important role in international trade. Last year, our global ranking in terms of total merchandise trade value rose to the sixth place. Benefitting from the stable supply chains maintained through effective control of the epidemic in the Mainland, the value of Hong Kong's total merchandise trade has rebounded since the fourth quarter of last year and hit a record high of \$6,509.9 billion for the first eight months of this year.

47. The current-term Government is keen to foster closer commercial, trade and investment relations with the Association of Southeast Asian Nations

(ASEAN). We are also seeking to join the Regional Comprehensive Economic Partnership (RCEP) as soon as possible. In the context of “domestic circulation” under the “dual circulation” development pattern of our country, we will continuously seek to create more favourable conditions for Hong Kong enterprises to enter the Mainland market under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA).

48. The convention and exhibition (C&E) industry is crucial to Hong Kong as an international trade centre. To cope with the impact of the pandemic, the Government is implementing the Convention and Exhibition Industry Subsidy Scheme with a commitment of over \$1 billion to provide impetus for the C&E industry. The Government will further extend the validity of the Scheme to the end of next year, and will enhance its implementation details to provide timely and more targeted assistance to the industry. In the long run, the Government will continue to expand C&E facilities, including redeveloping the sites of the three government towers in Wan Chai North and the Kong Wan Fire Station into C&E facilities, hotel and Grade A offices, as well as expanding the AsiaWorldâ€‘Expo, in order to consolidate and enhance Hong Kong’s status as an international C&E hub.

49. Small and medium enterprises (SMEs) play an indispensable role in the real economy of Hong Kong, but they may encounter liquidity problem from time to time. The existing paperâ€‘based trading processes and dispersed storage of commercial data have rendered it difficult for banks to collect and verify the relevant information. If credit assessments cannot be made according to upâ€‘toâ€‘date operational or financial data, banks may instead require enterprises to provide collateral such as property to reduce credit risks. This is a longâ€‘standing problem in SME financing.

50. We think that the optimal use of data may offer a solution to the problem. To this end, the Hong Kong Monetary Authority is in the process of developing the Commercial Data Interchange, which is expected to commence operation next year. This new financial infrastructure offers a centralised platform for connecting to banks through which enterprises can authorise service providers such as payment systems, public bodies or utility companies to furnish the banks with data. The banks can then make more accurate predictions about the sales and operation of the enterprises, thereby reducing the need for enterprises to provide collateral.

51. The Commercial Data Interchange enables SMEs to make use of their own data to gain access to more convenient financing services. It is also a major breakthrough in the development of financial infrastructure in Hong Kong, under which a platform is established to facilitate secure data sharing based on the consent of enterprises and allow the local banking system to serve the real economy more efficiently.

Developing into a Centre for International Legal and Dispute Resolution Services in the Asiaâ€‘Pacific Region

52. The rule of law in Hong Kong provides reassurance to Mainland and international investors when conducting business transactions and resolving commercial disputes in Hong Kong. To press ahead with the development of

Hong Kong into a major centre for international legal and dispute resolution services in the Asia-Pacific region, we will adopt a wide range of measures including attracting international legal and dispute resolution institutions to set up offices in the Hong Kong Legal Hub, promoting international legal co-operation and exchanges, as well as securing international organisations to hold decision-making meetings in Hong Kong. The DoJ has successfully secured the hosting of the Asian-African Legal Consultative Organization Annual Meeting and the inter-sessional meeting of Working Group III of the United Nations Commission on International Trade Law in Hong Kong at the end of this year.

53. To enable the legal sector to meet the need for legal and dispute resolution services in the GBA, the DoJ will continue to organise the GBA Legal Professional Examination, develop a set of unified qualification, accreditation and other relevant standards for mediators in the GBA, take forward the measures of allowing wholly-owned Hong Kong enterprises registered in Qianhai, Shenzhen to adopt Hong Kong law and choose for arbitration to be seated in Hong Kong, and strive to extend such measures to other areas of Shenzhen and even the entire GBA.

(To be continued.)