

HKSARG strongly opposes US State Department's 2021 Investment Climate Statements: Hong Kong

The Financial Secretary, Mr Paul Chan, today (July 22) said that the malicious smear and allegations against the National Security Law (NSL) made in the 2021 Investment Climate Statements: Hong Kong (the Statements) released by the United States Department of State is unfounded. He reiterated that the implementation of the NSL has safeguarded Hong Kong's unique strengths under the "one country, two systems" and ensured a safe and stable environment, which reinforced Hong Kong's position as an international financial centre and is conducive to attract more global investors to do business and invest in Hong Kong. To seize the opportunities arising from the market of the Guangdong-Hong Kong-Macao Greater Bay Area and green finance, some global financial institutions are already planning to increase investment or expand their operations in Hong Kong, reflecting international investors' confidence in Hong Kong.

Mr Chan said, "We strongly object and condemn the US Administration's repeated attempts to smear the NSL and grossly interfere in Hong Kong's affairs. We take great exception to the malicious comments relating to the NSL in the Statements.

"The Statements on one hand attempted to slander the NSL, but on the other hand mentioned that Hong Kong remains a popular destination for US investment and trade, possesses world-class institutions and regulatory systems and provides competitive financial, trading and professional services. The relevant comments prove that the remarks made by the US administration is self-contradictory, illogical and the accusations to the NSL is self-defeating.

"National security is a matter within the purview of the Central Authorities. It is the legitimate right and duty of every country to safeguard its national security. Enacting laws on national security with extraterritorial effect is squarely in line with international practice. The wanton attack on the NSL only demonstrates the double standards adopted by the US."

In fact, in the Hong Kong Special Administrative Region (HKSAR), the only criteria upon which judges are appointed is their judicial and professional quality, and their appointment by the Chief Executive is upon the recommendation of an independent statutory commission. When adjudicating cases under the NSL, judges remain independent and impartial in performing their judicial duties, free from any interference. The arrangement on the designation of judges under the NSL does not undermine the highly respected judicial independence of the HKSAR. The HKSAR has been entrusted with the responsibility under the NSL to exercise jurisdiction over most of the cases, save for only three specified situations.

The HKSAR Government will continue to welcome overseas businesses, including US businesses, to set up offices in Hong Kong and to use Hong Kong as their regional headquarters or regional offices. At present, about 9 000 Mainland and overseas companies have set up offices in Hong Kong, of which more than 40 per cent use Hong Kong as regional headquarters or regional offices. Hong Kong also ranked the third largest recipient of foreign direct investment in 2020 according to the World Investment Report 2021 released by the United Nations Conference on Trade and Development. These demonstrate that Hong Kong's investment environment has become more stable under the implementation of the NSL.

Taking the financial market as an example, under the implementation of the NSL, Hong Kong continues to have a solid base to attract foreign capital. The Hong Kong dollar exchange rate has been strengthening continuously since the beginning of 2020. The Hong Kong dollar market recorded net capital inflows last year in which the amount of funds flowing into the Hong Kong dollar system exceeded HK\$300 billion in July to October. The total deposits in Hong Kong's banking system have increased by more than five per cent over the end of June last year and the total deposits are approximately \$14,900 billion as at the end of May this year. The foreign currency reserve of Hong Kong is over \$3,800 billion and that represents 1.8 times of the Hong Kong monetary base.

Hong Kong's asset and wealth management business has great advantages. Hong Kong is the largest hedge fund base in Asia. At the same time, Hong Kong, following the Mainland, is also the second largest private equity fund base. The asset under management of Hong Kong asset and wealth management business amounted to \$35,000 billion as at the end of last year, representing a year-on-year increase of 21 per cent. In addition, the transparent and mature financial market which is consistent with the international regulatory system has also attracted many renowned financial institutions at home and abroad to settle in Hong Kong. Among the top 100 banks in the world, 78 are operating in Hong Kong; and among the top 20 insurance companies in the world, 13 are also operating in Hong Kong.

The Hong Kong capital market has also expanded its market capacity through continuous innovation. The internationalisation of the Renminbi (RMB) and the Shanghai-Shenzhen-Hong Kong Stock Connect have pushed the market forward. As the world's largest offshore RMB business centre, Hong Kong has a capital pool of more than RMB850 billion as at the end of May this year. For the Shanghai-Shenzhen-Hong Kong Stock Connect, since the implementation of NSL, the daily average turnover of northbound and southbound trading of the Stock Connect have marked an increase of 97 per cent to RMB110.6 billion and an increase of 146 per cent to \$37.5 billion respectively when compared with the 12-month period before the implementation of NSL.

On the other hand, the HKSAR Government is laying the ground work for the early launch of the cross-boundary 'Wealth Management Connect' scheme in the Guangdong-Hong Kong-Macao Greater Bay Area and the Southbound Bond Connect. These new initiatives will further facilitate the mutual access of the financial markets in the two places, broadening the client base and generating new business opportunities for Hong Kong's financial industry.

They will drive the further development of our asset and wealth management sector and consolidate Hong Kong's position as an international financial centre and a global offshore RMB business hub.

"The implementation of the NSL in the past year has made Hong Kong's transition from chaos to order and returned people's lives to normal. Furthermore, the improved electoral system mitigates internal attrition and political wrangling, enabling the HKSAR Government and the society to focus their energy on developing the economy and improving livelihoods. Hong Kong's position as an international financial centre is as strong as the past. Hong Kong's financial market has remained robust. The HKSAR Government has strong confidence and ability to fully utilise Hong Kong's unique advantages and competitiveness, grasp the enormous opportunities brought about by the National 14th Five-Year Plan, Guangdong-Hong Kong-Macao Greater Bay Area development and the Belt and Road Initiative, leading Hong Kong's economy to prosperity." Mr Chan underlined.