

Speech by CE at Asian Logistics, Maritime and Aviation Conference 2020 (English only) (with video)

Following is the speech by the Chief Executive, Mrs Carrie Lam, at the Asian Logistics, Maritime and Aviation Conference 2020 today (November 17):

Margaret (Executive Director of the Hong Kong Trade Development Council, Ms Margaret Fong), ladies and gentlemen,

Good morning. Welcome to this year's Asian Logistics, Maritime and Aviation Conference, which is celebrating its 10th edition. For the first time, this two-day conference is being held online. It's also filling satellite venues in a number of regional cities, including Chengdu, Dongguan, Guangzhou, Ningbo, Shenzhen, Wuhan and Taipei.

Wherever in the world you are, and however you're watching, you're with us because this gathering is Asia's largest annual event for logistics industry leaders. It covers the maritime, aviation and shipping industries. Year after year, this Conference provides an ideal platform for us to exchange intelligence and gather insight on the current state and the future of the logistics sector and its many interrelated industries and businesses.

This year, amid the daunting face of the COVID-19 pandemic, the global economy has been hard-hit. Just a few weeks ago, the International Monetary Fund projected the global economy to shrink by 4.4 per cent this year. And the World Trade Organization forecasts merchandise trade volume to plummet 9.2 per cent in 2020. Fortunately, the Mainland China, having kept COVID-19 at bay, has seen speedy economic recovery and is going to be the only major economy that will see a positive growth this year. As a major trading hub and a gateway to the Mainland, Hong Kong naturally stands to benefit, as witnessed in the surge in our imports and exports figures lately.

Alongside the widespread havoc unleashed by the pandemic, the world is also grappling with continuing geopolitical tensions, protectionism and escalating trade disputes. For Hong Kong, we are caught in the China-US tension and worse still, suffering from unilateral sanctions taken by the US Administration under the pretext of the enactment of a law on national security in the middle of this year. Amongst the various unjustified sanctions imposed on Hong Kong is the unilateral termination of the Agreement between Hong Kong and the US concerning Tax Exemptions from the Income Derived from the International Operation of Ship. We are liaising with the Hong Kong shipping sector to see how we may mitigate the harm done.

Which is why the theme of this year's conference, "Capturing Opportunities amidst Volatility," could not be more timely to your business and its future. From the more than 60 high-profile speakers taking part, I am sure you will hear from them on a range of topics, including air freight,

maritime and supply-chain management, Asian connectivity and trendsetting technologies.

For the next few minutes, allow me to focus on Hong Kong – on our considerable challenges, and how we're meeting them, and on the far-reaching opportunities Hong Kong is blessed with.

To sustain our economy, safeguard jobs and help the people of Hong Kong, my Government has introduced since February this year nearly 100 measures under three rounds of Anti-epidemic Fund as well as enhanced Budget relief initiatives. To date, these measures have committed some US\$37 billion to our economy and our community.

Admittedly, there are limits to what Hong Kong can do, given that we are an externally oriented economy, and our recovery will depend, to a large extent, on the progress of anti-epidemic efforts around the world. That said, as the pandemic recedes, Hong Kong will be quick to recover, thanks to our unique strengths under "One Country, Two Systems." They include the rule of law and independent judiciary, free flow of capital, people and information, leading professional and financial services, together with our unique access to the fast-growing markets of Mainland China.

With such strong fundamentals, we are now exploring measures to revive the Hong Kong economy. That necessarily begins with the resumption of people, goods and services flow. Logistics, in short.

We are in discussions with authorities on the mutual exemption of compulsory quarantine for cross-boundary travellers from Macao and Guangdong Province. We hope to be able to implement this as soon as the epidemic situation stabilises in Hong Kong. Prior to that, we will first introduce later this month an arrangement for Hong Kong residents in Guangdong and Macao to return without the mandatory quarantine arrangement.

Beyond the Mainland, we have reached an agreement to establish an air travel bubble between Hong Kong and Singapore, enabling business and other travellers to commute between the two places without going through compulsory quarantine. The epidemic situation in Hong Kong and Singapore is similar, and travellers will have to undergo COVID-19 tests, thereby minimising the risk of viral transmission. The air travel bubble will start to operate from November 22, and we hope that it will be the first step in our much anticipated return towards normalcy.

Hong Kong International Airport plays a significant role in maintaining our status as a regional aviation and logistics hub. The airport has been ranked the world's busiest cargo airport for the past 10 years. Last year, it handled nearly five million tonnes of cargo and air mail. And, through the first half of this year, we have retained that top ranking. In fact, while our air passenger flow has had a devastating blow this pandemic year, our air and sea cargo sectors lost only single-digit business, year on year, through the first nine months of 2020.

Hong Kong International Airport connects with more than 220 destinations

worldwide, including about 50 in the Mainland. From Hong Kong, no major Asian city is more than four hours' flight time away. Last year, the airport handled more than 70 million passengers.

And that's just the beginning. Our airport's Three-runway System is scheduled to be operational by the end of 2024, with the new third runway expected to be ready at the end of 2022. By 2030, the system is expected to increase our airport handling capacity to about nine million tonnes of cargo and up to 100 million passengers. To foster cross-border logistics and trading activities, we are also redeveloping the airport's Air Mail Centre at a cost of about US\$640 million.

As for air cargo, the International Air Transport Association has accredited the airport as centres of excellence for the handling of pharmaceutical products and perishable produce – two categories that command a higher premium. And in March, the Association acknowledged two of our cargo terminal operators for their competence in the transportation of live animals. In both cases, the international recognition showcases our airport's expert ability to manage high-value, temperature-sensitive cargo.

As for our maritime sector, it boasts more than 800 shipping-related companies. They provide a wealth of maritime services, including ship agency and management, broking and chartering, finance and marine insurance, as well as maritime legal and arbitration services. The International Chamber of Shipping recognises our institutional strengths and related maritime-industry advantages. That's why the Chamber set up its China Liaison Office in Hong Kong last year, which is the Chamber's first office outside of London.

Among the 2 600 vessels registered in Hong Kong, many are managed by companies located overseas, making the Hong Kong Shipping Register the world's fourth-largest. At the end of September, Hong Kong's gross tonnage exceeded 130 million.

Hong Kong is home to one of the world's top-ten busiest container ports. Last year, our total container throughput stood at 18.3 million TEUs. Each week, Hong Kong Port sees about 300 liner services connecting to some 420 destinations worldwide.

And we are determined to boost Hong Kong's status as a global maritime hub. Recent government initiatives to support the industry include streamlining the issuing of exemptions for Hong Kong-registered ships and providing tax concessions for ship leasing and marine insurance. We are also expanding our Shipping Registry coverage, establishing Regional Desks to better support shipowners. Such Regional Desks were opened late last year in London, Shanghai and Singapore. Further, in June and July, we amended our laws to provide tax exemptions for qualifying ship lessors, as well as half-rate tax concessions for ship managers and insurance companies, including marine insurance.

The trading and logistics industry has long been one of Hong Kong's economic pillars, accounting for 21 per cent of our GDP and 19 per cent of our employment. While we are endlessly pursuing new markets and new-market

opportunities, in the long run, there may well be no bigger new-market opportunity – for Hong Kong and for the companies that work with Hong Kong – than the Guangdong-Hong Kong-Macao Greater Bay Area. The development brings together Hong Kong, Macao and nine prosperous cities in Guangdong Province, including Shenzhen and Guangzhou. This enormously promising market counts a population of over 70 million people and a GDP per capita, last year, of well over US\$23,000.

Thanks to the Hong Kong-Zhuhai-Macao Bridge, the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the cargo clearance at the Heung Yuen Wai Boundary Control Point, all of which opened within the last two years, we now enjoy world-class connections to the Greater Bay Area and to the Mainland beyond. To facilitate cargo flow through the application of advanced technology, our Customs and Excise Department has set up the Single E-lock Scheme for seamless clearance service in each of the nine Mainland cities within the Greater Bay Area, with a total of over 60 clearance points. These initiatives save time which in the logistics business, means money.

There remains huge potential to be tapped in the Greater Bay Area. I was at Beijing, Guangzhou and Shenzhen earlier this month where I met leaders of Central Government ministries as well as Provincial Government to discuss measures by the Central Government to support the Hong Kong economy. While I will not be able to disclose details of those measures until my 2020 Policy Address to be delivered on November 25, I can promise you that there is something for the logistics industry.

Ladies and gentlemen, the opportunities in the logistics, maritime and aviation sectors are clearly there in this part of the world, including Hong Kong. Of course, we must first find our way past these turbulent pandemic times. We will need, too, to tackle the global economic downturn and long-standing trade wars. Finding common ground, working together, I am confident we can, and will.

My thanks and appreciation to the Hong Kong Trade Development Council, the organiser of this Asian Logistics, Maritime and Aviation Conference along with the Hong Kong SAR Government. My thanks, too, to the Hong Kong Logistics Development Council and the Hong Kong Maritime and Port Board for their support. I wish you all a very rewarding conference and the best of business and good health in 2021. Thank you.