

Speech by CE at AustCham Westpac Australia-China Business Awards Gala Dinner 2019 (English only) (with photos/video)

Following is the speech by the Chief Executive, Mrs Carrie Lam, at the AustCham Westpac Australia-China Business Awards Gala Dinner 2019 on May 28:

Andrew (Chairman of the Australian Chamber of Commerce (AustCham) Hong Kong, Mr Andrew Macintosh), distinguished guests, ladies and gentlemen,

It really gives me great pleasure to join you at the 2019 Australia-China Business Awards Gala Dinner. I understand this is the 26th edition of this very exciting event. Furthermore, I was told that this event was actually inaugurated in Hong Kong 26 years ago, so welcome back.

The Chamber has asked me to speak on a subject which is very close to my heart, that is innovation and the Greater Bay Area, and has allotted me 25 minutes for a keynote address. I know it's now past eight and you are hungry, so as long as you do it quietly, you may eat, because I will make full use of my 25 minutes to promote this Greater Bay Area – the reason being AustCham is really at the forefront of promoting, welcoming and embracing the Greater Bay Area.

AustCham has produced a position paper on the Greater Bay Area before the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area was officially approved and promulgated by the Central Government of the People's Republic of China. Many of the things said in the position paper of AustCham reflected the views of a lot of international chambers in Hong Kong, because they have done some interviews of international enterprises in producing this position paper. I'm pleased to say many of the things said in the position paper are now incorporated into the Outline Development Plan, so I look forward to working very closely with AustCham and also with other international chambers in taking full advantage of this Outline Development Plan.

In order for you to have a better understanding of why Hong Kong is so keen to participate or even to take a lead in the Greater Bay Area, I have to spend a few minutes to talk about Hong Kong's competitive strengths. I believe many of these things are very well known to you, otherwise we would not have such a strong Australian community in Hong Kong. We have the second largest Australian community in the world, and we have a very sizeable Australian Chamber of Commerce in Hong Kong. So, the things that I'm going to say should be very familiar to you, but it's still worth reminding every one of you, including myself as the Chief Executive, that Hong Kong has a lot of competitive strengths in promoting our economy.

The unique strength is of course the very unique practice of "One Country, Two Systems". Very soon we'll be celebrating the 22nd anniversary of the establishment of the Hong Kong Special Administrative Region. I can say that the principle of "One Country, Two Systems" has been implemented very successfully in Hong Kong, and that underpins Hong Kong's continuous success and prosperity.

Hong Kong is one of the world's most competitive economies. The Institute of Management Development, which is based in Switzerland, in its world competitiveness report ranked us number two in 2018 after the United States of America. In terms of being a free economy, Hong Kong has been ranked number one for many years. For the US-based Heritage Foundation, Hong Kong has been ranked the freest economy in the world for 25 years in a row. Similarly, for the Canadian-based Fraser Institute, we have been number one since 1990. More recently, the Legatum Institute based in the United Kingdom has produced for the first time an index on economic openness, and Hong Kong again ranked number one in terms of economic openness. According to the World Bank, we are the world's number four in the ease of doing business.

Let me just continue on our strengths, and this is something very, very important and something that I will safeguard fiercely in Hong Kong, especially we have distinguished judges in the audience. Governor Linda Dessau and Judge Tony Howard used to be our legal colleagues, many years ago of course. Hong Kong has highly regarded rule of law and judicial independence, and again this is being recognised worldwide. We are ranked the world's number 14 in terms of rule of law according to the World Bank's Governance Indicators, 13th in judicial independence according to the World Economic Forum, and in Asia, we are Asia's number one in terms of the independence of the judiciary.

Judicial independence is not just practised here. It's being guaranteed under the Basic Law, which is our mini-constitution, and most important of all, by design, under the Basic Law one of the very essential features to demonstrate and to prove the independence of the judiciary is we continue to appoint overseas judges from other common law jurisdictions, especially to sit on our Court of Final Appeal. Prior to 1997, cases reaching final appeal were heard in the Privy Council in the United Kingdom. After 1997, final adjudication takes place in Hong Kong, and we have this Court of Final Appeal comprising not only distinguished local judges but also very distinguished overseas judges. We now have 14 such eminent judges from the common law jurisdictions of Australia, Canada and the United Kingdom. I'm very pleased to say and we are very honoured to have four eminent judges from Australia, including two former Chief Justice of Australia and former Chief Justice of the state of New South Wales. They are really very distinguished. I had the honour of meeting a couple of them when I was visiting Sydney a few years ago, and they spoke very highly of Hong Kong's rule of law and independence of the judiciary.

Hong Kong has very excellent professional services, and I'm pleased to say some of these high-value professional services are delivered by Australian professionals. We are ranked number three in terms of being a global financial centre, only after New York and London. In terms of our

securities market, in six out of the last 10 years, Hong Kong came first in terms of IPO fundraising. Last year, US\$36.7 billion was raised through IPOs. We have the largest offshore Renminbi centre because, under "One Country, Two Systems", we have this advantage of being part of the People's Republic of China. Now 75 per cent of all offshore Renminbi transactions actually take place in Hong Kong.

Over the past few years, partly because of the initiative to open up the Chinese economy, including the financial services, partly it's to help boost Hong Kong's financial markets, we have been given special initiatives in the form of Stock Connects. Our stock market is connected to the Shanghai stock market and the Shenzhen stock market. After I took office in July 2017, we have launched Bond Connect. We hope to have more Connects in time to come in insurance and private wealth management and so on. And we have a full range of legal and business services providers supporting the growth of all our economic sectors.

We have very strong international connections, and this is something very unique in the Greater Bay Area. I would say that this is our unique advantage. We have our very important and world-renowned Hong Kong International Airport, which will have the capacity to serve as an international aviation hub for the Greater Bay Area. Last year we served 74 million passengers, which made us the world's number three. In terms of air cargo, Hong Kong ranked number one last year, looking after over 5 million tonnes of air cargo and airmail. We have a global business network supported by 13 of what we call Economic and Trade Offices (ETOs) all over the world, including the ETO in Sydney, and we are very blessed to have 8 700 Mainland and overseas companies setting up offices in Hong Kong. They are offices with their parent company still in their own country but they have a very important office in Hong Kong, either as a regional headquarters, a regional office or a local office. I'll give you the number of Australian companies later on.

Another strength is we are a very safe city. For any investor to consider setting up office, taking their family to work and live in Hong Kong, public order and safety is very, very important. Hong Kong is one of the safest cities in the world. Last year's crime rate was 728 cases per 100 000 population, which is our lowest since 1970, and perhaps one of the lowest in the world. And we have a very efficient and clean government. Just last week, the World Justice Project (WJP) co-hosted a symposium with our Independent Commission Against Corruption in Hong Kong and Ms Elizabeth Andersen, the Executive Director of the World Justice Project, had this to say: "Absence of corruption is a real strength (of Hong Kong)" and "Overall, Hong Kong performs very well in our (rule of law) index across all factors". This is a testimony of the clean and efficient government and private sector in Hong Kong.

Let's come to the Greater Bay Area – a little bit of facts about the Greater Bay Area. The Greater Bay Area comprises the two Special Administrative Regions of Hong Kong and Macao and nine cities in the Guangdong Province. Guangdong has more than nine cities, of course, but these are the more affluent cities in Guangdong and they all are in the proximity

of the Pearl River Delta. The Greater Bay Area is an area of about 56 000 square kilometres, a population of 71 million, but still growing, and a combined GDP of US\$1.6 trillion, which is bigger than the whole of Australia. This is really a very important part of the People's Republic of China.

Some of the characteristics about the Greater Bay Area – It has very distinctive geographical advantages because it has a very intensive cluster of ports and airports, right at the Pearl River Delta. It has very robust economic strength, particularly in the Mainland cities in Guangdong. It has a high concentration of key factors in innovation. I understand some of our Australian friends have been brought to Shenzhen, so you have a good feel of this innovation in Shenzhen. And we have advanced level of internationalisation, particularly because of Hong Kong.

Hong Kong, Guangdong and Macao have always had very close co-ordination since 1997. The Governor of Guangdong and myself, as the Chief Executive, co-host the annual high-level meeting every year. The one for 2019 has actually just taken place last week. This solid co-operation foundation helps us to easily put ourselves into gear in delivering the Greater Bay Area. And most important of all, we have systemic strengths under the "One Country, Two Systems" principle.

I'm sure you know that there are other great bay areas in the world. I'll give you a little bit comparison about this Greater Bay Area with the other three bay area economies in the world. They are the Tokyo Bay Area, the New York Metropolitan Area and the San Francisco Bay Area. In terms of size, we are the largest. In terms of population, we are the greatest. In terms of GDP, we are lagging slightly behind New York and Tokyo Bay, but I am sure that we will catch up very soon – not because of Hong Kong, but because of the about 6 per cent growth in the Mainland of China, including Guangdong.

I have mentioned about the geographical distinctive advantages. If you look at our port and airport combined, we have I think really the busiest airport clusters and port clusters. In terms of air passenger traffic, we look after over 200 million passenger trips a year. In terms of port throughput, it's 66.5 million TEUs, because of several important ports which are amongst the world's top 10 ports.

The Greater Bay Area is now a national strategy. It's not just Hong Kong, Guangdong and Macao coming together to co-operate. It has been elevated to a national strategy with a mission to do two things. One is it will be a new attempt to break new ground in pursuing opening on all fronts. Secondly – it's also unique to the Greater Bay Area which is unavailable in the Shanghai area or in the Beijing area – it will be regarded as a further step in taking forward "One Country, Two Systems". After over 20 years, the Central People's Government is very devoted and committed to "One Country, Two Systems", but we feel that there is room for taking this principle of "One Country, Two Systems" to the next level, where it will bring a lot of advantages to both Hong Kong and Macao.

The objectives of the Greater Bay Area development are, first, to promote co-ordinated regional economic development; Second, to give new

impetus to the development of Hong Kong and Macao – that's what I mean to take forward the "One Country, Two Systems"; Third, to build a new system of open economy; and fourth, to provide a role model for high-quality development.

In order to achieve the mission and objectives, this Greater Bay Area Outline Development Plan has set for us at the outset several important guiding principles. One is we should fully and faithfully implement "One Country, Two Systems". Secondly is we should deepen mutually beneficial co-operation, and thirdly we should support the nation's innovation-driven development strategy. And here I would pause and remind our Australian guests that the Australian Chamber's position paper has this very important phrase which I like a lot. It says that Hong Kong's advantages lie in "One Country, Two Systems" and it is very important for Hong Kong's continued success to uphold "One Country, Two Systems". But this continued implementation of "One Country, Two Systems" as well as Hong Kong taking advantage of the commercial opportunities in the Greater Bay Area are not mutually exclusive. We could, on the one hand, uphold and even bring to new height the "One Country, Two Systems"; and at the same time take full advantage of the opportunities available under the Greater Bay Area. So, any worry and rumour and speculation that once we co-operate and take a greater part in the Greater Bay Area economy, Hong Kong will lose unique characteristics, the "One Country, Two Systems" principle will be eroded, there's absolutely no truth in that sort of statement. I just want to reassure you that that is how we are going to take forward the Greater Bay Area.

Some important milestones in the Greater Bay Area development – On July 1, 2017, that is the day when I took office, as witnessed by President Xi Jinping himself, the three Governments of Hong Kong, Macao and Guangdong together with the National Development and Reform Commission signed the Framework Agreement setting out the parameters and principles for the Greater Bay Area. We then took almost 18 months to craft out this very important Outline Development Plan. At the same time, we made a request to the Central Government that since it is a national strategy and since we envisage that as we take forward the Greater Bay Area with innovation, we will need some breakthroughs in Central Government policies, and we will need the Central Government to have a mechanism to listen to our views and also to respond to our needs. So Vice Premier Han Zheng is now chairing a Greater Bay Area development leading group, comprising over 20 ministries in the Central People's Government, myself and the Chief Executive of Macao. This is indeed the first time since reunification that the Hong Kong Chief Executive has a role in a central leading group on a very important initiative. As a result of the first meeting held last August, we have one key deliverable – the Greater Bay Area will develop an international innovation and technology hub.

On February 18 this year, this Outline Development Plan was finally promulgated and, a few days later, the three governments hosted a major symposium – I think the Consuls General and the Chambers were all invited to this symposium – to talk about the Outline Development Plan. The leading group chaired by Vice Premier Han Zheng hosted the second plenary meeting on March 1 this year and as a result we announced eight measures to facilitate

the flow of people and goods in the Greater Bay Area, including two very innovative tax measures. I notice in the Australian Chamber's position paper, tax occupies a very prominent position as expected. These two tax measures are very innovative. One is despite the difference in tax rate, for example for income tax between Hong Kong and Guangdong, every of the nine cities in Guangdong under the Greater Bay Area could offer subsidies to talents in order to make up the difference. So if we charge in Hong Kong the highest tax rate – 15 per cent for income tax, Mainland maybe 30, 40, the difference will be paid by the city government if you are a talent or a sought-after professional. Each city will define and come up with their own list of talents. I am sure they would be very flexible and very generous because they do need talents to do many of the things they want to do.

Another tax measure is very interesting. With the proximity between Hong Kong and this Greater Bay Area, I can imagine a lot of professionals, whether you are a doctor, an accountant and a lawyer, will have to go to the Greater Bay Area, like Shenzhen, Dongguan, Foshan, to do your daily business. In normal taxation terms, once you cross the border, that is counted as one day. If you stay for over 183 days in the Mainland, then you'll be liable to Mainland tax. This tax measure that we have got is if you stay less than 24 hours during that day, it is not a day. That means you could continuously commute between Hong Kong and the Greater Bay Area.

I wouldn't go into detail here – I would welcome you to go to our Greater Bay Area website of the Hong Kong SAR Government. The Outline Development Plan has listed seven areas of development. But the most important one at the forefront is the technology side. It's innovation and technology. But at the same time, ecological conservation is also very important and we need a lot of talents and expertise from Australia on how to do ecological conservation, energy efficiency, renewable energy and so on.

Hong Kong's key roles in the Greater Bay Area actually cover many aspects, and in many of the aspects we are happy to work with overseas professionals and providers. One is financial services. I don't need to go into detail on that. The second would be transport and logistics, especially in high-end logistics – air cargo, maritime services.

I want you to look at this map. This is a very interesting map of the Pearl River Delta. In order to have a one-hour living zone within the Pearl River Delta, we need more connections. This is across the Pearl River Delta. This red line is the high-speed train that we have just opened last September. The Hong Kong section is only 26 kilometres but then it connects to the extensive high-speed railway network of Mainland which now spans 29 000 kilometres. It now only takes less than 20 minutes to go to Shenzhen and 43 minutes to Guangzhou. And across the east side and the west side of the Pearl River Delta, there are several bridges. The bottom one is the one we opened last October – the Hong Kong-Zhuhai-Macao Bridge, which has shortened the distance between Hong Kong, Zhuhai and Macao from four hours to 45 minutes. Nowadays we don't need to take a hydrofoil to Macao – you can drive to Macao. Above this one is another tunnel and bridge infrastructure under construction – that is called the Shenzhen-Zhongshan Link. It would be ready

in 2024. Above it is a very old bridge call the Humen Bridge. And above it is a bridge just opened two months ago called the Nansha Bridge. Nansha is a very important special economic region in the city of Guangzhou, in which we are going to have a new university from Hong Kong – the Hong Kong University of Science and Technology is going to build a brand-new campus in the city of Nansha.

Again in innovation and technology, we are doing a lot in the last two years. I can talk for an hour on this subject alone but I will not, so you don't need to worry. Except to share with you that we have invested heavily in this area. Since I took office, I have allocated HK\$100 billion in innovation and technology from hardware to training to research funding and so on. Legal services is very important. There are a lot of lawyers from Australia who are welcome to participate in the dispute resolution services in the Greater Bay Area. Other sectors include our high-quality medical services, higher education and creative industry.

I will finish by talking about Hong Kong and Australia. We have indeed very close trade relations. Australia was Hong Kong's 20th largest merchandise trading partner and Hong Kong was Australia's 12th. Bilateral trade amounted to HK\$54 billion last year and with a year-on-year 3.7 per cent growth. Part of the trade between Mainland China and Australia also routed through Hong Kong, but it is not a large part because you could now go directly into Mainland with all the ports and airports. Australia was Hong Kong's seventh largest trading partner in services. There are 172 Australian companies in Hong Kong by our survey. I'm sure AustCham, with 1 400 members, will come up with a much bigger figure; but our survey, done by Invest Hong Kong, shows that there are 172 Australian companies. Half of them are actually using Hong Kong as their regional headquarters and regional offices, and the trades cover various areas

It is in bilateral investment that I was very surprised when I did this PowerPoint. Australia was Hong Kong's 17th source of inward direct investment and our eighth destination, but if you look from Australia's point of view, Hong Kong is Australia's fifth source of inward investment. I have not shown the figure here. Last year (2018) Hong Kong investment in Australia is 118.8 billion (Australian) dollars. I could not believe that figure, so I asked my colleagues to double-check: Is that right, 118.8 billion (Australian) dollars in a year of Hong Kong money invested in Australia? They came back and said, yes, this is the figure. So just to give you an idea of the potential that we can do more.

People-to-people bonds are very strong, whether in our respective emigration, a large number of Australians are living in Hong Kong, and also young people exchanges through the Working Holiday Scheme. Looking ahead is even more exciting because last year we have negotiated and this year we have signed a Free Trade Agreement (FTA) and related Investment Agreement between Australia and Hong Kong by my Secretary for Commerce and Economic Development, Edward Yau, with Australia's Minister for Trade, Tourism, and Investment, Mr Simon Birmingham. Now with the general elections over, Michaela (Consul-General of Australia to Hong Kong and Macau, Ms Michaela

Browning) was just assuring me that the ratification of the FTA should be very smooth because there is no change in the Government. This negotiation took place very expeditiously. Amongst many of our FTAs, this was a very fast one, 18 months. And this was a very high-value one. It is a Doha-plus type of FTA, so we are very pleased with that. And I'm sure it will bring a lot more opportunities to Hong Kong and to Australia.

Finally, the Greater Bay Area provides plenty of opportunities, not only for Hong Kong, Macao and the other nine cities in Guangdong, but also for the whole of Mainland and overseas countries. So I have advocated this joint promotion overseas. Last June we went to Paris to do a first attempt in overseas promotion of the Greater Bay Area, but that was before the Outline Development Plan was promulgated. After the plan was promulgated in February this year, we took the whole thing to Tokyo, Japan. I, myself, the Governor of Guangdong, and the Secretary for Administration and Justice from Macao, the three of us, went to Tokyo. It was attended by over 1 000 senior representatives from Japanese enterprises, and we are very pleased with that outcome. Our next destination, I'm pleased to announce, will be Australia. I have mentioned this to Michaela when two former Prime Ministers came to have tea with me, Malcolm Turnbull and Kevin Rudd, a few months ago. I am announcing here because I have already got the agreement of the Guangdong Governor at the meeting earlier this month that Governor Ma Xingrui thought that it's a very good idea to host the next overseas promotion of the Greater Bay Area in this wonderful country of Australia.

Thank you very much for your attention and have a wonderful evening.

