

# Speech by CE at China Development Forum 2019 in Beijing

Following is the speech by the Chief Executive, Mrs Carrie Lam, at "The Guangdong-Hong Kong-Macao Greater Bay Area: A Rising Star in the Global Economy" session at the China Development Forum 2019 in Beijing today (March 25):

Distinguished guests, ladies and gentlemen,

Good morning. It gives me great pleasure to participate in the China Development Forum for the first time as the Chief Executive of the Hong Kong Special Administration Region (SAR). May I first join Governor Ma Xingrui in expressing our gratitude to the Development Research Centre of the State Council and the China Development Research Foundation for organising this dedicated session on the Guangdong-Hong Kong-Macao Greater Bay Area, and for the opportunity for me to speak to the distinguished audience here today.

As Governor Ma pointed out just now, the Greater Bay Area is an important national development strategy personally devised, planned and driven by President Xi Jinping. The objectives of this national strategy, as succinctly described by Vice Premier Han Zheng, who now leads a leadership group of the Greater Bay Area, is to leverage the complementary advantages of the nine cities in Guangdong and Hong Kong and Macao, deepen co-operation amongst the three places, and further enhance the Greater Bay Area's supporting and leading role in the country's economic development and opening up. To Hong Kong, a Special Administrative Region of the People's Republic of China under the principle of "One Country, Two Systems" and enjoying a high degree of autonomy, the Greater Bay Area is an unprecedented opportunity to integrate into the national development and, through such integration, inject new impetus into our economic growth.

The Greater Bay Area development has been progressing with a lot of momentum, and for good reasons. In his opening remarks at the second plenary meeting of the leadership group earlier this month, Vice Premier Han mentioned three unprecedented circumstances surrounding the Greater Bay Area development. To respond to the theme of this seminar which is the Guangdong-Hong Kong-Macao Greater Bay Area in the global economy, I have attempted to elaborate on each of these three characteristics of the Greater Bay Area with reference to the global economy.

Firstly, Vice Premier Han said that the high-level support and commitment to the Greater Bay Area, a regional development, by the Central Government is unprecedented. Apart from the personal guidance from President Xi, over 20 central ministries and commissions are represented at the Greater Bay Area Leading Group where policy guidance, effective co-ordination and practical measures are determined. For example, at the first plenary meeting, we were given the mandate to develop an international innovation and

technology hub in the Greater Bay Area. At the second plenary meeting, eight measures from taxation to youth entrepreneurship were endorsed to facilitate the flow of people, goods, capital, etc. As the global economy is beset with uncertainties and instability as well as the rise of protectionism, the openness and inter-connectivity of the nine Mainland cities and the two Special Administrative Regions of Hong Kong and Macao under "one country", "two systems", "three customs territories", "three legal systems", etc is a solid demonstration of how economies with different characteristics can work together to achieve a win-win outcome.

Secondly, Vice Premier Han observed that the response of the three governments and various sectors in the three places is highly enthusiastic. Speaking on behalf of Hong Kong, I can easily explain why. Despite its past successes, such as being rated as the world's freest economy by the US-based Heritage Foundation for 25 years in a row and the world's second most competitive economy by the Lausanne-based International Institute for Management Development in its latest report, Hong Kong could not rest on its laurels. In light of economic globalisation, our pillar industries are inevitably facing severe competition, for example, our container port in terms of cargo throughput has dropped from the world's number one in early 2000s to number seven in 2018, and new industries have not emerged. In addition, Hong Kong's further economic growth is hampered by the shortage of land and labour. The Greater Bay Area comprising some 70 million people, a territory of 56 000 square kilometres and an economy already surpassing that of Korea at some US\$1.6 trillion, provides Hong Kong with tremendous new opportunities. This city cluster has huge demands for quality services ranging from higher education, legal, accountancy and medical to sophisticated financial services such as raising of capital, risk management, asset management, etc. Hong Kong, the world's number three global financial centre and a predominantly service economy, stands ready to meet those needs.

Thirdly, Vice Premier Han told us that the Greater Bay Area will take on an unprecedented historic role in the country's further reform and opening up after four decades of remarkable success. As elucidated by President Xi in his 19th CPC National Congress report, China's economy has been transitioning from a phase of rapid growth to a stage of high-quality development. For China, this is a pivotal stage for transforming the growth model, improving the economic structure, and fostering new drivers of growth. Located at the forefront of China's opening up along the coast and with the pan-Pearl River Delta Region as its vast hinterland, the development of the Greater Bay Area signifies a new attempt to break new ground in pursuing opening up on all fronts in a new era. It will facilitate the early realisation of innovation-driven development to support the continued growth in innovation capability and competitiveness of the Chinese economy. It will facilitate the further deepening of reform and opening up, the building of a new system of open economy in line with international standards, and the development of a new platform for high-level international co-operation.

Given the unprecedented conditions and enormous opportunities, I am determined to lead Hong Kong to play an active role in the Greater Bay Area

development. In so doing, we will faithfully uphold the principle of "One Country, Two Systems" and leverage on our clear and compelling strengths. One of these strengths is our financial prowess which accounted for 18.9 per cent of our GDP at the end of 2017.

According to the Global Financial Centres Index, Hong Kong ranks number three after New York and London. We have the world's fifth largest securities market with funds raised through IPO topping the world in six out of the past 10 years, including last year with US\$36.5 billion raised. Some 70 of the world's top 100 banks are operating in Hong Kong and total assets managed amounted to US\$3.1 trillion in 2017. Benefitting from increased connectivity with the Mainland capital market, Hong Kong is the world's largest offshore RMB hub. Our insurance and bond markets are also growing to meet the needs of local, Mainland and overseas companies.

To position Hong Kong to seize the opportunities arising from the Greater Bay Area as well as the growing ASEAN markets, my Government has taken some significant initiatives. These include a new listing regime to accommodate the innovative companies and pre-revenue biotechnology companies; profits tax exemptions for onshore and offshore funds meeting certain conditions; grants to promote the issuance of bonds, especially green bonds in Hong Kong; mutual recognition of funds with the Mainland, the United Kingdom, France, Switzerland and Luxembourg; Faster Payment System and virtual banking licences to support fintech; and the setting up of an Academy of Finance to nurture local and Mainland talents. The Outline Development Plan for the Greater Bay Area has laid out the clear direction to develop an international financial hub to progressively promote mutual financial markets access and to vigorously develop special financial products and services. I look forward to Hong Kong taking a leading role in fulfilling these aspirations.

Developing an international innovation and technology hub in the Greater Bay Area has been given special emphasis in the Outline Development Plan. Although the innovation and technology sector accounted for a mere 0.7 per cent of Hong Kong's GDP in 2017 and our total R&D expenditure represents only 0.8 per cent of GDP, I see great prospects for Hong Kong to contribute to and benefit from an international innovation and technology hub in the Greater Bay Area. Here, our strengths lie in our local universities with three of them amongst the world's top 50, our translational capability at our two flagship institutions, the Science Park and Cyberport, our rule of law, robust intellectual property protection and international connections. Since taking office some 20 months ago, my Government has rolled out numerous policies and projects to advance our innovation and technology capability and invested some US\$13 billion, and introduced a super tax deduction to incentivise private businesses to invest in R&D. While these measures will take some time to produce tangible results, we are thrilled by the very positive response from renowned overseas institutions in collaborating with our local universities to establish research centres in two research clusters at the Science Park on health technology and artificial intelligence and robotics. Over the past several months, I have witnessed MOUs signed by local universities with Harvard, Stanford and Johns Hopkins from the United States,

Imperial College and University College London from the United Kingdom, Institut Pasteur from France and Fraunhofer Institute from Germany, etc. Prior to this initiative, the Karolinska Institutet of Sweden and an MIT Innovation Node have already established their presence in Hong Kong. These efforts of the Hong Kong SAR are set to help accelerate the development of major technological infrastructure facilities and cross-border, cross-study collaborative research in the Greater Bay Area, and will enhance the in-depth integration of industries, academia and research.

In addition, Hong Kong's deep and liquid capital market will promote the commercial application of technological achievements through direct financing by private equity funds or capital raising through listing. In my view, the Greater Bay Area has good potential to become not only the Silicon Valley of the East but also Silicon Valley and Wall Street within the same city cluster.

Ladies and gentlemen, let me end by referring to a statement in the Preamble of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, and I quote, "The development of the Greater Bay Area is not only a new attempt to break new ground in pursuing opening up on all fronts in a new era, but also a further step in taking forward the practice of 'One Country, Two Systems'". Hong Kong looks forward to working closely not only with the nine Mainland cities in Guangdong and Macao, but also businesses and institutions who share our vision for technological advancement and economic prosperity. Thank you.