

Speech by CE at Joint Business Community Luncheon (English only) (with photos/video)

Following is the speech by the Chief Executive, Mrs Carrie Lam, at the Joint Business Community Luncheon held at the Hong Kong Convention and Exhibition Centre today (November 14):

Thank you very much, Jonathan (Chairman of the Chinese General Chamber of Commerce, Dr Jonathan Choi), Aron (Chairman of the Hong Kong General Chamber of Commerce, Dr Aron Harilela) and members from over 30 chambers for hosting this post-Policy Address business luncheon for me for a second time. I'm extremely grateful for that, so I have given myself a question to answer in the next 20 to 25 minutes, and that question is, "Is my 2018 Policy Address a pro-business Policy Address?"

If you judge by the response given to me after my delivery of the Policy Address on the 10th of October, the answer is simple, because I noticed that five main chambers of commerce, who are all here in this business luncheon, have individually issued statements to welcome my Policy Address and outlined those various measures that they find very encouraging. So I thank the chambers for their very positive endorsement immediately after the delivery of my Policy Address. But this question should still be answered by the Chief Executive herself, so in the next 10 minutes or so I'll try to impress upon you and hopefully when you leave this grand hall you'll have no doubt that the 2018 Policy Address is a pro-business Policy Address.

Of course this Policy Address is a very lengthy and wordy Policy Address running into 40,000 words in English and 59,000 characters in Chinese. But if you look at the chapter on "Diversified Economy", it actually is the most substantive section in my Policy Address, taking up almost 22 per cent of those words. And in the chapter on "Diversified Economy", one of the first things I said is I want to reaffirm my Government's additional roles which I have been championing in the past 15 months, that in addition to being a provider of public services and a regulator, I want my Government to be a facilitator and a promoter. True to that advocacy, in the last 15 months there are many initiatives and many actions that fall in line with that mission for the Government to facilitate the work of the business and to promote, together with the business chambers, the Hong Kong success and the Hong Kong story.

I have been on 11 overseas trips since taking office, and on many of these trips I was accompanied by business leaders. For example, Jonathan has been with me to Vietnam and recently to Japan. So this promotional role of the Government and the business community is actually very aligned. The second point I made in this particular chapter on the economy is what Jonathan has just mentioned, that the Government will do her utmost to help the business sector to seize the many opportunities under the Belt and Road

Initiative and also the Greater Bay Area, and also to better integrate into the national development. And on this front, I hope everyone in my 165-strong delegation to Beijing recently, in fact two days ago, should feel very excited and very encouraged by what President Xi Jinping said about his hopes for Hong Kong and his recognition of the strong contribution made by the business sector as well as other sectors over the past four decades of the reform and opening up of the country. We will lose no time and spare no effort in incorporating the President's four hopes into the work of the HKSAR Government in order to create more opportunities for our business sector.

The third point which you should appreciate is I did acknowledge that we have problems, so not everything is fine. I did acknowledge that we have a shortage in land and labour, which Aron has mentioned in his introductory remarks. On land, we have launched short to medium measures especially in providing more premises for the business sector, relaunching a very successful policy to revitalise the old industrial buildings. Since then, I have received some positive feedback from the business sector that this would perhaps provide some immediate relief. And also, in relaunching this revitalisation of industrial buildings, or what we call "2.0", we have put in some additional measures in order to create more capacity as a result of the revitalisation.

On the longer term initiative, nothing of course is more important than my vision on Lantau. This Lantau Tomorrow Vision will create for Hong Kong a third CBD. You all know our traditional CBD is in Central, providing no more than 3 million square metres of Grade A office supply. The second CBD, which was also conceived by me when I was Secretary for Development in 2009, is Energizing Kowloon East, which is doing very well. And when everything is completed in Energizing Kowloon East, we could expect 6 to 7 million square metres of office space. But we still should look ahead to provide more commercial spaces and office towers for Hong Kong's continued and sustainable development. And that is where the third CBD comes into the picture.

In Lantau Tomorrow, we are planning on the basis of a 4 million square metres CBD, which is actually very close to Central, it's only 4 kilometres away from Central, and with rail and road it will be very well connected to Hong Kong's financial district. So I hope I will get the support for executing my vision on Lantau Tomorrow.

On labour, I appreciate and I understand that more needs to be done, so I said this morning in the Legislative Council Q&A Session that when things settle down a bit and come 2019, I, together with the Secretary for Labour and Welfare, will actively engage the business sector as well as the labour sector with a view to come up with clear directions for resolving Hong Kong's labour shortage. But in the meanwhile, we are giving additional support to vocational and professional education and training, we have introduced a tech talent admission scheme for bringing in technology talents, we have launched a Talent List under the Human Resources Planning Commission headed by the Chief Secretary for Administration, and we will do all the other things necessary in order to address labour shortage.

The fourth point in this chapter is we will be more proactive in

conducting government-to-government work. So entering into bilateral and multilateral agreements in order to provide that environment, that expanded market access and environment, for the business sector is one of our priorities. You will remember that at end of last year we signed the Free Trade Agreement (FTA) with the 10 member nations of ASEAN. This will come into effect early next year. Right now, we are in advanced negotiations with Australia on another FTA and we have indicated interest to negotiate with the United Kingdom after Brexit and we have also indicated interest to negotiate FTA with the Pacific Alliance, the four South American countries. So the FTA will provide better access for our goods and services into the new markets. Beyond the FTA, I know someone will compare us to Singapore in terms of comprehensive agreement on the avoidance of double taxation, which I understand we have more catching up work to do. Now we have 40; I have given them a target of 50 within the next two, three years. The same applies to investment, promotion and protection agreement.

Meanwhile, we are also putting in a lot of efforts to do overseas promotions. Some of the business leaders have taken part in our recent mission to Japan. This five-day promotional visit to Japan was very well received in the words of Ambassador Matsuda (Mr Kuninori Matsuda), the former Consul-General of Japan in Hong Kong. He told me that as a result of this five-day visit and the many meetings, gala dinners and seminars, Japan has rediscovered Hong Kong.

There are a lot of opportunities in Hong Kong, especially on the innovation and technology side. We have not forgotten our interactions and engagement with the Mainland authorities because the Mainland of China will continue to be a huge market for our business and a place where we will continue to invest quite heavily. So within a year, 2018, I have started or restarted the bilateral, high-level co-operation platform with Sichuan Province, with Beijing, with Shanghai and later this month with Fujian. And also added to it will be the pan-Pearl River Delta regional co-operation. We will continue to do that in order to provide more opportunities.

On the sector-specific initiatives, the chapter on "Diversified Economy" has actually attempted to cover more sectors than we did previously. For example, the movie people were telling me that this was the first time that they got such a high-profile treatment in the Policy Address. There was a whole section on how we could assist and promote Hong Kong's film industry. The maritime people will hopefully tell me when I go to attend their 50th anniversary Shipowners Association gala dinner that for the first time the maritime sector has been given very significant treatment in my Policy Address with a list of initiatives that we want to promote high-value-added services in the maritime industry. Beyond that, of course in financial services we will not lose sight of this very important sector of Hong Kong. We will be doing more green financing, issuing of government green bonds and riding on this continued opening up and reform in the Mainland's financial services sector, to get Hong Kong onto that platform of providing more services to the Greater Bay Area and beyond.

Tourism, innovation and technology, legal services and other areas of the creative industries have also been given due attention in the chapter on

"Diversified Economy". The only sector which legitimately has a complaint is agriculture and fisheries. I'm afraid that despite my utmost efforts, I find it quite difficult to come up with very substantive measures to promote Hong Kong's agricultural and fisheries industry. But perhaps I will try harder in next year's Policy Address.

But now let's not just focus on this chapter on "Diversified Economy". If I want to convince you that this Policy Address is a pro-business Policy Address, I will encourage you to look beyond the chapter on "Diversified Economy". For example, the chapter on education, on nurturing talents, I am equipping and nurturing people to support business, because I just heard Aron complaining that it's very difficult to get talents into some of the sectors. We are putting in a lot more money and attention into quality education, so you will have the right manpower in time to come.

About promoting employees' benefits and support, this is a very tricky area. I understand some business people are unhappy about my section on promoting labour benefits, because labour benefits somehow have been equated as "anti-business". I don't take that view. I hope business sector does not take that view and have what my Secretary for Labour and Welfare called "reverse thinking". Put yourself into the shoes of the workers, and understand that if workers are being treated well, they will be your loyal and dedicated staff that could create value for the company. But even then in my pro-labour initiatives, I have put in a lot of money. I have put in \$29 billion in order to implement the evolution of the "offsetting" arrangement in the Mandatory Provident Fund. And I'm picking up the bill – almost every dollar – for the four extra weeks of maternity leave, by providing reimbursement for companies to come to claim that extra four weeks of maternity leave salaries for their female employees. I hope there should be no complaint about these pro-labour benefits and measures in my Policy Address.

In order to boost everybody's confidence, let me end by sharing a few of the positive developments in the past year or so. In the first half of this year, Hong Kong has achieved 4 per cent real growth in our economy. And that is quite encouraging because in the past decade our average growth is 2.7 per cent. Property prices have started to moderate. Some developers like Victor may not like to hear this, but property prices have moderated since August after my announcement of a package of housing initiatives on the 29th of June by about 2 to 3 per cent, and hopefully rentals for commercial premises will also be moderated in due course. In the first 10 months of this year, our Hong Kong exchange has achieved the world's number one in terms of IPO, raising a total of HK\$250 billion. Together with Laura Cha and Charles Li, we are very confident that we will be the world's number one in the year 2018.

Our latest survey indicates that we have seen a 6.4 per cent increase in the number of Mainland and overseas companies setting up in Hong Kong – total number has now reached 8,754. In particular, the growth was even more prominent in companies which are using Hong Kong as their regional headquarters. We have seen an 8.2 per cent increase in the number of overseas and Mainland companies using Hong Kong as their regional headquarters – now the number totalled 1,530. And this was across the board. The top five

countries with companies in Hong Kong, that is Mainland, Japan, America, UK and Singapore, all registered increases in the number of companies set up in Hong Kong in the past 12 months.

We have of course retained the title of being the world's freest economy ranked by the Heritage Foundation and the Fraser Institute. In the London-based international financial centre index, we remain number three but the difference between ourselves and London and New York has narrowed. We are the second most competitive economy in the world as assessed by the Lausanne-based Institute for Management Development. In the World Economic Forum (WEF) competitiveness report, we are number seven. Last year, we were number six, but this is not a deterioration of our performance. It's a change of methodology. Actually they have a conversion table – this year's number 7 is actually last year's number 6. But we will, I will, continue to do well, I hope, on the WEF competitiveness report. And Aron mentioned about red tape, bureaucracy. You'll be pleased to know that we have moved one rank up in the World Bank's 2019 Doing Business report – we are now the world's number 4 in terms of the ease of doing business.

Despite these positive developments, let me assure you that the Government is not complacent. I'm fully aware of the downside risk arising from the US-China trade tension and dispute. Our Secretary for Commerce and Economic Development, Edward Yau, has been meeting chambers for almost 10 times now in the last six months, and we have rolled out various support measures before the Policy Address and beyond the Policy Address. So as and when we see that the Government needs to act to help the businesses to ride out the storm, especially amongst the SMEs, you can be assured that we will do it without waiting for this and waiting for that.

The most important or most gratifying message you can take home is our attitude. We will continue to be very humble and put in a lot of efforts to engage the business sector. We are very caring and we love to listen to you but then we will act. So with those remarks, I want to thank the chambers again for organising this joint business chamber luncheon to talk about my Policy Address and wish to see you again next year.

Thank you very much.

