

## Speech by CE at online briefing session of China Development Forum (with photo/video)

Following is the speech by the Chief Executive, Mrs Carrie Lam, at the online briefing session of the China Development Forum this evening (June 23):

Vice Chairman Lu (Vice Chairman of China Development Research Foundation and Secretary General of China Development Forum, Mr Lu Mai), Secretary General Fang (Secretary General of China Development Research Foundation, Mr Fang Jin), Victor (Chairman of First Eastern Investment Group; Chairman of Hong Kong-Europe Business Council, Mr Victor Chu), ladies and gentlemen,

Good evening. It gives me great pleasure to be speaking at this online briefing session of the China Development Forum (CDF). Last year, for the first time, the Chief Executive of the Hong Kong Special Administrative Region (HKSAR) was invited to attend and speak at CDF's annual Forum held in Beijing's Diaoyutai State Guesthouse. That was a privilege for me and interacting with many multi-national companies was a real opportunity for promoting Hong Kong. Subsequent to that, with the support of CDF, Hong Kong was supposed to have a special session in this year's Forum which unfortunately could not materialise because of COVID-19.

At the Forum in March last year, I talked about the Guangdong-Hong Kong-Macao Greater Bay Area on which an Outline Development Plan was promulgated just a month before then. It was some 15 months ago, but it felt like more distant past because it has been so eventful for Hong Kong since then. I believe that this is an opportune time for me to give you an update about our city. The most significant development in Hong Kong recently is no doubt the National People's Congress Decision to establish and improve legal system and enforcement mechanisms for the HKSAR to safeguard national security, which is also the theme of today's briefing session.

This Decision, which is the first one made by the National People's Congress in respect of Hong Kong matters, is being hailed as the most significant development in the relationship between the Central Authorities and the HKSAR since Hong Kong's return to the Motherland. Its significance is multifaceted. It shows that the Central Government is determined to restore stability in Hong Kong, after a year of escalating violence and riots since last June. It shows that the Central Government is determined to protect the vast majority of law-abiding citizens in Hong Kong from the minority who attempted to undermine national security. It also shows that the Central Government is determined to preserve and better "One Country, Two Systems", a principle underlying Hong Kong's stability and prosperity since the HKSAR was established 23 years ago.

National security is a matter under the purview of the Central Authorities, be it in China or in any other countries in the world. As the highest organ of state power in China, and HKSAR being an inalienable part of China, the National People's Congress no doubt has the power under the Constitution of the People's Republic of China to enact legislation for the HKSAR to safeguard national security. It is true that as provided for under Article 23 of the Basic Law, the HKSAR has been given the duty and obligation to enact local legislation to safeguard national security. But this act of faith in the SAR does not mean that the Central Authorities have given up their constitutional power, nor should they continue to tolerate risks posed to the nation's sovereignty, security and development interest as a result of a legal vacuum in the HKSAR. After all, national security is not only about the 7.4 million people in Hong Kong, it affects our country's 1.4 billion population.

As the Chief Executive of the HKSAR, directly accountable to the Central People's Government and the HKSAR, I have to acknowledge and confess the hard fact, that is, the HKSAR is unable to enact laws in relation to national security under Article 23 of the Basic Law under the present circumstances. The almost malfunctioning of the Legislative Council, the anti-establishment camp's open resistance of any national security legislation and the demonisation of Article 23 over the years render it almost impossible to complete the task in the foreseeable future.

Without the necessary legal system and enforcement mechanisms in place, Hong Kong has become a gaping hole in national security. This has become intolerable when our city has been traumatised by the escalating violence fanned by external forces since last June. The emergence of various incidents involving explosives and firearms has posed the risk of terrorism, seriously jeopardising public safety. During this period, organisations advocating "Hong Kong independence" and "self-determination" incited protesters, especially young people, to desecrate and burn the national flag openly, vandalise the national emblem and storm the Central People's Government's office in Hong Kong. These acts smeared the implementation of "One Country, Two Systems" in Hong Kong and challenged openly the authority of the Central Government and the HKSAR Government.

Further, some of the political parties' members proclaimed many times that they would paralyse the HKSAR Government. Some other people begged for foreign governments to interfere with Hong Kong's affairs or even to impose sanctions on Hong Kong. This kind of behaviour has crossed the baseline of "One Country", sabotaging the relationship between the Central People's Government and the HKSAR, threatening China's sovereignty and national security and challenging the authority of the Central Government and the Basic Law. It is impossible to expect the Central Government to turn a blind eye to all these. The National People's Congress Decision to enact legislation for the HKSAR to safeguard national security is a strong and direct response to the situation in Hong Kong. It is a decision not taken lightly, and is a decision which is urgently needed to restore stability in Hong Kong and protect the interests of the people.

Given the significance of the National People's Congress Decision, it is only natural for people to be eager to know its impact and implications on Hong Kong's future. For many multi-national companies which have presence in Hong Kong, I believe that your key concern would be whether Hong Kong will continue to be the ideal place for your companies to thrive. To this, my response would be a resounding "yes".

First, the legislation only targets acts of secession, subversion of state power, terrorist activities, and collusion with foreign or external forces to endanger national security. Obviously these are not acts and activities that law abiding companies or citizens will be engaged in. The vast majority of people, including the law-abiding multi-national companies, should welcome the return of stability and law and order which have made Hong Kong one of the world's safest cities for many years.

Second, the National People's Congress has made it clear in its Decision and the relevant Explanatory Statement that the legislation will be guided by a number of fundamental principles. These principles include firmly safeguarding national security; upholding and improving "One Country, Two Systems"; adhering to governing Hong Kong in accordance with the law; resolutely opposing external interference; and substantially safeguarding the legitimate rights and interests of Hong Kong residents. From the summary of the explanatory statement to the draft legislation presented to the National People's Congress Standing Committee on June 18, which was carried in a Xinhua report released on June 20, these fundamental principles are clearly enshrined in the proposed legislation which embraced important legal concepts as well as the protection of the legitimate rights and freedoms of individuals. Enactment of national security legislation will not change the high degree of autonomy enjoyed by the HKSAR; it will have no impact on the HKSAR's judicial independence, including that of final adjudication as enshrined in the Basic Law. I believe that both businesses and Hong Kong people should find these provisions re-assuring.

When you read some overseas media reports or comments by foreign governments and politicians, you might feel this was not the impression you got. There are allegations that Hong Kong is facing a "death knell" or the principle of "One Country, Two Systems" is proclaimed dead. But let us pause for a moment and ask: who has the greatest stake in ensuring the continued success of "One Country, Two Systems"? And who has been supporting Hong Kong over the past 23 years to ensure its stability and prosperity? The answer should be obvious. Under the "One Country, Two Systems" principle, Hong Kong's capitalist system, free economy and trusted legal system remain as robust as ever, and the free flow of capital within, into and out of Hong Kong is guaranteed. Hong Kong continues to thrive as an international financial centre, and as a gateway between the Mainland and the World. In short, "One Country, Two Systems" has proved itself to be the best constitutional arrangement for the long-term stability and prosperity of Hong Kong. Both the Central Government and the people of Hong Kong are determined to uphold "One Country, Two Systems".

Since the Decision has been made, the HKSAR Government has been fending

off quite a lot of unfair criticisms against it, including from foreign governments. My observations on those behaviours could be summed up by two terms – double standards and hypocrisy. On the former, all those countries which have pointed their fingers at China have their own national security legislation in place. And their governments have been using national security reasons to justify many of their awkward acts and decisions. Hong Kong is an inalienable part of the People's Republic of China and why would it be inhibited from enacting legislation to protect its own soil and its own nationals? On hypocrisy, we have heard vocal remarks about granting citizenship to Hong Kong people or threatening sanctions in order to stand with the people of Hong Kong. We await the likely outcome of these gesturing rhetoric when their own people or domestic politics render those acts unpopular at home.

On our part, we are not unduly worried by such unilateral threat of sanction. Hong Kong will continue to rely on her fundamental strengths of the rule of law, independence of the judiciary, free and open trade policy, level playing field, free flow of capital, etc. Hong Kong will remain a welcoming, resilient and competitive global economy, playing an irreplaceable role in bringing international and Mainland markets and companies together.

But I will not shy away from acknowledging the damage done to Hong Kong's competitiveness and international reputation by the escalated violence and perceived insecurity since last June. Since early this year, we lost a few world laurels: the Washington-based Heritage Foundation ranked Hong Kong second in the world in its latest Index of Economic Freedom. The result, after a quarter century of topping the Index, was disappointing but not unexpected. The drop in our score was mainly due to security issues which brought down Hong Kong's score in investment freedoms.

In the latest Global Financial Centres Index, Hong Kong dropped from third to sixth, but our strengths on the financial services aspects remain obvious, which cover our freely convertible currency, our world-class banking system and stock market and the professionals who power our financial sector. It helps that Hong Kong again topped the world last year in funds raised through initial public offerings (IPOs), taking in some US\$40 billion. This year, despite an exceedingly challenging environment, we are optimistic as the Hong Kong Exchange has welcomed a couple of major Mainland firms which are listed in the United States to come to Hong Kong for secondary listing.

Just a week ago, the Swiss-based International Institute for Management Development released its annual World Competitiveness Yearbook ranking. Hong Kong placed fifth, still ahead of such nations as Sweden, Canada, the United States, Germany and the United Kingdom. While that was down from second last year, our rankings in "government efficiency" and "business efficiency" remained unchanged, at first and second respectively. Moreover, our rankings rose from second to first globally in the "legal and regulatory framework" indicator, and from 19th to first in "exchange rate stability". Such top-of-the-world ratings only reaffirm Hong Kong's institutional strengths, particularly in legal and monetary affairs.

Talking about exchange rate stability, I would like to take the opportunity to squash any rumour surrounding Hong Kong's Linked Exchange Rate System, which ensures that the Hong Kong dollar's exchange rate remains stable with respect to US dollar. The system has served Hong Kong and the world well since it was implemented in 1983, and it will continue to do so. We do not need the United States' approval to implement the system, and we have no plan to change it. We also have the ability to defend it from any malicious attack, given the robust health of the Hong Kong banking sector, and the US\$440 billion in our foreign exchange reserve. That, by the way, is more than twice our monetary base.

Further to our fundamental strengths, we continue to enjoy unique advantages brought about by the continuous opening up of the Mainland economy, and our active participation in major national initiatives including the Belt and Road and the Guangdong-Hong Kong-Macao Greater Bay Area. Also, in recent years, we have been doubling our efforts in diversifying our markets, including more focus on the fast-growing ASEAN economies, which as a whole was Hong Kong's second largest trading partner and destined to grow.

So Hong Kong does have a lot of opportunities going forward. What we need most now is for the society to get back to normal. This is not only about what the national security legislation aims to achieve that I mentioned at length, but also about the COVID-19 epidemic. So far, our response has worked well. Hong Kong has never had a complete city lockdown or entirely closed our borders; except the suspension of classes for over four months and the practice of work from home by the HKSAR Government and many private enterprises, Hong Kong people are generally able to move around. Hong Kong has been among the global communities least affected by the virus in terms of the total number of confirmed cases and the number of deaths, which stood at 1 177 and six respectively. This is due to a collective coming together, with all sectors of the Hong Kong community doing our part for the common cause.

Since a month ago, we have moved into the state of "relaxation" under the "Suppress and Lift" strategy. Most of the social distancing measures have been eased, transit and passenger transfer services at the Hong Kong International Airport resumed, theme parks re-opened, and students back to school. Subject to the necessary precautionary measures, basically all business premises can operate now.

Hopefully the easing of the social distancing measures would inject some much needed impetus to the economy. Our economy plunged 8.9 per cent in the first quarter year on year, which was a record collapse. Unemployment recently soared to 5.9 per cent, which was the highest in more than 15 years, and the reality is that the figure may go further up, amid hopefully at a slower pace. The latest forecast for 2020 is negative growth of four to seven per cent.

In view of the unprecedented challenge, my Government has taken some exceptional measures to support our enterprises and our people. These measures involve a total of US\$37 billion, including the establishment of an Anti-epidemic Fund of over US\$20 billion. One of the measures is the

Employment Support Scheme, which offers a 50 per cent wage subsidy to employers for a period of six months up to November this year with a view to retaining the jobs of the employees.

In short, we are determined to mitigate the economic fallout of the epidemic, to safeguard businesses and employees as best we can in the short term. In doing so, we hope to ensure Hong Kong's long-term economic recovery. Hong Kong's advantages and the many national initiatives that I talked about just now will serve us well down the road. Above all, Hong Kong people's resilience and our Lion Rock spirit will continue to ensure our success.

Ladies and gentlemen, to conclude, Hong Kong is determined to conquer the political, social and epidemiological crises that have so harmed our economy and shaken our community over the past year. The national security law is our "anti-virus" software and a beacon of hope. It will guide us to a better future and restore our glory as the Pearl of the Orient, a proud Special Administrative Region of the People's Republic of China.

My thanks to the China Development Research Foundation for giving me this opportunity to speak to you today. While I welcome this virtual connection, I do look forward to hosting a special Hong Kong session in next year's CDF at the beautiful Diaoyutai State Guesthouse.

Thank you.

