

Speech by CS at Monthly Luncheon of Century 21 Club (English only)

Following is the speech by the Chief Secretary for Administration, Mr Matthew Cheung Kin-chung, at the Monthly Luncheon of Century 21 Club today (November 22):

Mr Hirota (Deputy Consul-General of Japan in Hong Kong, Mr Tsukasa Hirota), Mr Washikita (Co-Chair of Century 21 Club and Chairman and Managing Director of Mitsui & Co (Hong Kong) Ltd, Mr Kenichiro Washikita), Mr Nakajima (Co-Chair of Century 21 Club and Executive Director and Chief Executive Officer of Nippon Wealth Limited, Mr Tsutomu Nakajima), distinguished guests, ladies and gentlemen,

Good afternoon. It is my great pleasure to join you all for today's luncheon.

We are here to celebrate the friendship between Japan and Hong Kong, friendship that has been established over many years. We also look forward to welcoming your new Consul-General to Hong Kong later this month. I have no doubt that the Consul-General will ensure that our bilateral ties continue to grow from strength to strength.

Japan and Hong Kong have long been committed to working together for a win-win result. This commitment was clear to see earlier this month when we staged the first Hong Kong Week in Tokyo from October 29 to November 11.

Led by the Chief Executive, Mrs Carrie Lam, Hong Kong Week was a large-scale and wide-ranging promotion under the theme of "Connect and Excel", showcasing how people in Japan can make use of Hong Kong's advantages to connect with new opportunities and excel in their chosen fields, whether it be business and finance, science and technology or arts and culture.

Above all, Hong Kong Week was a timely opportunity to reinforce the strong bond between our two communities. I say "timely" because we currently stand at a crossroad, with challenges and opportunities coming from different directions.

On the one hand, we are racing to adapt to advances in technology that are shaping the way that people live, work and do business. On the other hand, significant challenges can be seen in the form of the rise of protectionism in different parts of the world.

The trade conflict between Mainland China and the United States, the world's two largest economies, is adding to uncertainty and market instability. In Hong Kong, we remain a staunch supporter of the multilateral trade system and believe that protectionist sentiment and policies will only hinder progress and benefit no one. We will continue to be an advocate of

open markets and free flows of capital, talent and information. We believe that this approach is the best way to achieve progress and create opportunities.

For more than two decades, Hong Kong has been ranked number one globally for economic freedom by both the Fraser Institute in Canada and the US-based Heritage Foundation. We are also named the second most competitive economy in the world by Swiss-based International Institute for Management Development this year. Hong Kong ranked fifth for ease of doing business out of nearly 200 economies in the World Bank's "Doing Business 2018" report. These achievements are due in no small part to the enduring success of the "one country, two systems" principle for the establishment of the Hong Kong Special Administrative Region in 1997.

Today, 21 years on, Hong Kong continues to thrive as part of "one country" and at the same time "two systems" preserves our unique advantages, distinctive features and core values. These include our cosmopolitan flavour, our openness and connectivity on all fronts, our inherent institutional strengths, our rule of law, our status as a global financial centre (being ranked third behind New York and London), a free port, a separate customs territory and an international trade and logistics hub. We are, and will remain, for a long time the financial capital and most open and international city of our country. In essence, Hong Kong enjoys the best of both worlds.

That overseas enterprises including those from Japan enjoy the taste of Hong Kong's business environment is evident through the growing number of Japanese firms operating in this city. According to the latest statistics announced last month, 1 393 Japanese companies have regional headquarters, regional offices or local offices in Hong Kong. That is the highest number of any foreign country, and second only behind the Mainland as a source market for enterprises with parent companies outside Hong Kong.

We cherish the close relations between Hong Kong and Japan and we are grateful to the Japanese business community for investing their time, money and ideas in our city. It is also encouraging to see the next generation of Japanese entrepreneurs embracing new opportunities in Hong Kong too.

No doubt, Hong Kong is an attractive place for global business, but we cannot afford to rest on our laurels, especially in a highly competitive region such as ours. Instead, we are doubling down on efforts to make our city an even more competitive place to do business.

As you may know, this year marks the 40th anniversary of our motherland's opening up and reform policies. Undoubtedly, Hong Kong has benefited from its prime location and business-friendly policies to grasp opportunities from China's opening up to the world.

At the same time, our city has contributed enormously to the country's transformation into the world's second largest economy. Earlier this month (November 12), President Xi Jinping spoke about the "unique" and "irreplaceable" role that the Special Administrative Regions of Hong Kong and

Macao have played in the country's opening up and reform over the past 40 years. He also urged us to grasp opportunities ahead.

In seeking out opportunities, Hong Kong will actively participate in our country's major development strategies on different levels – national, regional and international. One such strategy is the Guangdong-Hong Kong-Macao Greater Bay Area. Covering Hong Kong, Macao and nine Guangdong cities with a combined population of nearly 70 million people, the Greater Bay Area generates GDP of over US\$1.5 trillion, which is close to that of the Tokyo Bay Area. It is estimated that GDP for the Greater Bay Area will increase to US\$4.6 trillion by 2030.

Doors to the Greater Bay Area are opening wider with the recent commissioning of two mega infrastructure projects, namely the Hong Kong-Zhuhai-Macao Bridge across the Pearl River estuary, and the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link that connects our city to Mainland China's extensive 25 000-kilometer high-speed rail network.

Achieving the full potential of the Greater Bay Area will require more than infrastructure connectivity. Moving forward, we expect to see rising demand for professional services such as financial, legal, trade and logistics and tourism services. And we can anticipate greater demand for technology-related services and value adding solutions for industries in the region.

Japan is known for its advanced technology and research capabilities and Hong Kong is an ideal partner for exploring tech-related opportunities in the Greater Bay Area. We plan to establish two world-class research clusters at the Hong Kong Science Park, one on healthcare technologies and the other on artificial intelligence and robotics. Through these clusters, we aim to nurture synergy and collaboration between top local and overseas researchers and put Hong Kong on the global innovation map.

Meanwhile, Cyberport supports high-tech start-ups and promotes the development of a digital technology ecosystem. It also aims to attract multinational companies and leading Internet enterprises to set up offices and research and development units in Hong Kong.

In order to draw global expertise to our city, we launched the Technology Talent Admission Scheme in June to fast-track admission of overseas technology talent in areas such as biotechnology, artificial intelligence, cyber security and robotics. We have also launched a Talent List, which identifies specific sectors where overseas expertise is needed in Hong Kong.

To meet the needs of the new tech-driven global economy, the Stock Exchange of Hong Kong has introduced new rules to allow companies with weighted voting rights structure and pre-profit/pre-revenue biotech companies to list in Hong Kong.

The Hong Kong Monetary Authority (HKMA) is taking the lead in developing

fintech through its Infrastructure Financial Facilitation Office set up in 2016. In September, the HKMA launched its Faster Payment System which puts banks and stored value facilities on the same platform, opening up a whole new era for smart banking.

We believe that fintech and smart city development will have a big part to play in the Greater Bay Area. That said, Hong Kong opportunities are not confined to national boundaries. Far from it!

As a truly global city with financial and legal systems that are aligned with international standards, Hong Kong continues to serve as the premier gateway between the Mainland and the rest of the world.

In this context, we are fully engaged in the far-reaching Belt and Road Initiative, which provides a model for global growth in the 21st century. The Initiative spans Asia, Europe and Africa, covering a region that accounts for about 30 per cent of the world's GDP and more than 60 per cent of the world's population. Hong Kong can leverage on its expertise in infrastructure financing and other professional services, and participate in future development projects under the Initiative.

No doubt a trans-regional initiative of this scale will generate huge demand for infrastructure, capital, goods and services, and drive global growth in the next few decades. Given our close bilateral ties, Hong Kong presents an ideal stepping stone for Japanese investors, innovators and services providers to access Belt and Road opportunities.

Last year, Japan was our fourth-largest trading partner globally with bilateral merchandise trade of US\$49 billion, up 5.1 per cent compared to 2016 (US\$46.8 billion). In 2017, Japan was Hong Kong's fourth largest trading partner and 11th largest market for domestic exports. Reciprocally, Hong Kong was Japan's eighth largest trading partner globally.

Famously, our relatively small city – with a population size smaller than that of Tokyo – has been for more than a decade the largest destination for Japanese exports of agricultural, forestry and fishery products. Last year, Japan exported 187.7 billion yen (about US\$1.78 billion) worth of these products to Hong Kong (up 1.3 per cent from the previous year), accounting for nearly a quarter of the country's total exports in this category.

On the tourism front, Hong Kong was Japan's fourth largest source market, with around 2.23 million Hong Kong residents visiting the country in 2017, representing a surge of 21.3 per cent growth over 2016. Indeed, Japan is one of the most frequent travel countries for Hong Kong residents.

But business, including Japanese food export business, is not the only reason for the large number of Japanese expatriates living and working in Hong Kong, a community that numbers more than 25 000 people.

It is also about the lifestyle. We are proud of Hong Kong's reputation as one of the world's safest large cities; proud of our world-class education

system including more than 50 international schools and universities that are rated among the best in the world. We also treasure the natural environment, a precious resource that enables people to relax, connect with nature and enjoy the great outdoors.

More and more, these lifestyle attributes resonate with the new generation of entrepreneurs, whether they come from Japan or other parts of the world.

On this note, I would like to extend my warmest gratitude to Century 21 Club and its members for their huge contributions to forging strong ties between Hong Kong and Japan over the years. I look forward to closer collaboration between Japan and Hong Kong as we strive to unleash the abundant opportunities through closer links with the Mainland, developing the Greater Bay Area and exploring new possibilities along the Belt and Road. Thank you very much.