Speech by FS at 22nd Hong Kong Forum (English only)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the 22nd Hong Kong Forum today (November 30):

Peter (Chairman of the Hong Kong Trade Development Council (HKTDC), Dr Peter Lam), Dennis (Chairman of the Federation of Hong Kong Business Associations Worldwide, Mr Dennis Chiu), Margaret (Executive Director of the HKTDC, Ms Margaret Fong), distinguished guests, ladies and gentlemen,

Good afternoon. Welcome to the 22nd Hong Kong Forum, the annual flagship event of the Federation of Hong Kong Business Associations Worldwide.

This year's Forum, the 22nd edition, is again being held online.

That, let me emphasise, does not make it any less real, any less essential. We may not all be in the same venue, but the intelligence, the insight and the prospects you will gain over the course of this two-day international gathering will be invaluable to you and your business – as you would expect of an event that brings together Federation members from 46 business associations in 35 countries and regions on five continents.

So let me bring you up to date on Hong Kong and our plans for the future, for you and your business.

As we all know, too well, the COVID-19 pandemic has, for nearly two years now, constricted our economies and our lives. Hong Kong is no exception.

The good news is that the Hong Kong economy is back on track this year, led by a noticeable revival in both global and local economic activities.

Through the first three quarters of 2021, Hong Kong's real GDP expanded 7 per cent, year on year. Our latest GDP growth forecast for 2021 is 6.4 per cent.

I take particular satisfaction in the strong revival and resilience of our domestic demand. Through the first nine months of this year, local private consumption and overall investment expenditure grew by 5.5 per cent and 12.8 per cent respectively over a year earlier.

The solid recovery path for local demand is largely a result of improved labour market conditions, with the seasonally adjusted unemployment rate coming down to 4.3 per cent in August to October, visibly lower than the peak of 7.2 per cent recorded at the start of the year. The Consumption Voucher Scheme, where each eligible Hong Kong resident receives a total of HK$5,000 in electronic vouchers, also plays a key role in stimulating consumption sentiment.

Meanwhile, our goods trade reached a record high of nearly US$1 trillion in the first nine months of the year, surpassing our previous high, in 2018, by 13.2 per cent.

The remarkable resilience of our overall economy is reflected in Hong Kong's performance in international rankings and indices – worth naming an example or two here. In September, the Global Financial Centres Index gave Hong Kong the third place, trailing only New York and London.

In the same month, the Fraser Institute once again ranked Hong Kong the world's freest economy. That's a compelling affirmation of the city's long-standing commitment to a free economy and level playing field.

Those and other international kudos speak of Hong Kong's significant advantages. You know them well: our free and open economy, rule of law and independent judiciary, our highly internationalised business environment and low and simple tax structure – which have long made Hong Kong an ideal city from which one could tap into the vast Mainland market, the Asia-Pacific region and beyond.

That hasn't changed, and neither has the world's interest in Hong Kong. Indeed, the number of Mainland and overseas companies based here reached a record high in recent years. Over 9 000 international and Mainland companies now maintain an office in Hong Kong. That, by the way, is a full 10 per cent up from the number in 2017.

Growth in the number of start-ups based in Hong Kong is no less encouraging. The latest tally stands at over 3 700 start-ups in the city, up around 69 per cent over 2017.

Central to this renewed confidence in Hong Kong was the enactment of the National Security Law last year. It has returned stability to our economy and our community.

Hong Kong, ladies and gentlemen, is your prime partner in exploring benefits arising from the continuing development of the Mainland and its deepening integration with the Asian region.

And now there are even more resonant reasons to look to Hong Kong for your future. The National 14th Five-Year Plan, the agenda for the Mainland's social and economic development over the next five years, backs Hong Kong's plans to enhance its strengths in international finance, transportation and trading, as well as legal and dispute-resolution services.

Let me focus on finance for now. With the support of the Five-Year Plan, Hong Kong is committed to flourishing as an international financial centre by way of strengthening our position as a global offshore Renminbi business hub, an international asset-management centre and a risk-management centre.

Just last month, the Shenzhen Municipal People's Government issued RMB5 billion of offshore Renminbi government bonds in Hong Kong, marking the first time a Mainland municipal government had issued bonds anywhere outside the

Mainland.

And, over the past two months, the long-awaited Southbound Trading under Bond Connect and the Greater Bay Area Cross-boundary Wealth Management Connect scheme were both introduced. These are game changers, enabling cross-boundary investment in bond and wealth-management products.

There has also been a lot going on with our asset and wealth-management business. Recent initiatives include the introduction of a limited partnership fund regime and the exemption of carried interest payable by private equity funds operating in Hong Kong. In less than a year's time, about 350 funds have set up in Hong Kong.

We see opportunity in family office services, too, thanks to the growing number of ultra-high net worth individuals in Asia. Apart from setting up a dedicated team offering one-stop support services, we're also reviewing tax arrangements with a view to promoting Hong Kong as a family office hub.

Without going into details, I should also mention our continuing efforts in developing Hong Kong into a green and sustainable finance hub, not least the successful offering of US$3.75 billion worth of green bonds denominated in US dollars, euro and Renminbi. Meanwhile, we are actively preparing for the issuance of retail green bonds that the public can participate in. Green bonds aside, we have been promoting green finance on the regulatory front as well as on the strengthening of green finance infrastructure.

Now, the Five-Year Plan also supports Hong Kong's development in four emerging sectors: innovation and technology (I&T), aviation, intellectual property, and culture – specifically on culture, our aspirations to rise as an East meets West centre for international cultural exchange.

Nothing brings that latter ambition to reassuring life more vividly than the grand opening, on November 11, of M+, Hong Kong's brand-new museum for visual arts. At 700 000 square feet, and home to around 8 000 creative works, it is among the largest contemporary art museums in the world – almost twice the size of London's Tate Modern.

Arts development in Hong Kong also presents unlimited business opportunities. Last year, Hong Kong was the second largest art-trading centre in the world, behind only New York.

Then there's innovation and technology, one of our Government's top priorities. You'll hear more about I&T in the next session, a spotlight on business opportunities in innovation and sustainability.

But allow me, for a moment, to talk about what the Hong Kong SAR Government is doing to spearhead I&T progress, and opportunities, in Hong Kong.

One of the most significant initiatives would be the development of the Northern Metropolis, an urban-rural mega development recently announced, encompassing 300 square kilometres along the Hong Kong-Shenzhen boundary.

This area will rise as the fast-beating heart of innovation and technology in Hong Kong, and will be home to 2.5 million people and 650 000 jobs, including 150 000 in the I&T sector.

And within the Metropolis we would see the creation of a new technopole, incorporating the Hong Kong-Shenzhen Innovation and Technology Park and surrounding areas, creating about 240 hectares for R&D and advanced manufacturing. The development will include an InnoLife Healthtech Hub.

To put that into perspective, 240 hectares is almost the equivalent to the three existing industrial parks in Hong Kong.

The impact of the Northern Metropolis will be far-reaching, enabling our integration with Shenzhen and seamless connections with the Greater Bay Area, one of the fastest-growing regional economies in the Mainland – and the world.

The cluster city development of nine cities in Guangdong Province, together with Hong Kong and Macao, boasts a population of 86 million, a combined GDP of about US$1.7 trillion, and a GDP per capita of US$20,000.

Soon enough, ladies and gentlemen, those 86 million consumers will become Hong Kong's domestic market. That's the kind of inflation I'm sure we can all live with.

In the coming five years, the Mainland will pursue sustainable, quality economic development, driven by reform and innovation. And Hong Kong, thanks to our deepening economic integration with the Mainland, will play an ever-growing role in our nation's development.

And the Greater Bay Area will present extraordinary opportunity for Hong Kong – and the companies that work with Hong Kong. For more on that, you'll want to catch tomorrow afternoon's session on the Greater Bay Area and opportunities through the Mainland's dual-circulation policy.

We explore opportunity beyond the Mainland and the Greater Bay Area. That opportunity doesn't get much bigger than the ASEAN (Association of Southeast Asian Nations).

ASEAN has been our second largest trading partner for the past 10 years in a row. And the Free Trade Agreement (FTA) and Investment Agreement between Hong Kong and the 10 member states of ASEAN, which entered into force in February, will boost our trade in goods and services, as well as our rewarding mutual investment.

There's more on the cards. Hong Kong is now actively striving for early accession to the Regional Comprehensive Economic Partnership, or RCEP. The largest FTA in the world, it will enter into force for 10 of its 15 member states on January 1 next year – just over four weeks from now.

RCEP embraces the 10 ASEAN member states and five ASEAN FTA partners, covering about one-third of the world's GDP and 30 per cent of its population.

The Partnership's open, inclusive and rules-based trade and investment philosophy is in accord with Hong Kong's own values. And, given our strategic position in the heart of the region and our deep ties with the economies of the Partnership, we have much to contribute to RCEP. That would include connecting companies and investment from ASEAN member states with those from the Greater Bay Area, and vice versa.

I hope you all agree that the future looks promising for Hong Kong, and for you, our much treasured partners. Together, we build businesses. Together, we also create lifelong connections spanning a world of companies, communities and peoples.

My thanks to the Federation and the Hong Kong Trade Development Council for organising this year's Hong Kong Forum.

I wish you all a rewarding two days at the Hong Kong Forum and the best of health and business in the coming year. Thank you.