

# Speech by FS at Asian Financial Forum Keynote Luncheon (English only) (with photo)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Asian Financial Forum Keynote Luncheon today (January 13):

Your Excellency Chairman Kasymaliev (Chairman of the Cabinet of Ministers of the Kyrgyz Republic, Mr Adylbek Kasymaliev), Professor Lin Yifu (former Chief Economist and Senior Vice President of the World Bank), Professor Richard Wong (Provost and Deputy Vice-Chancellor of the University of Hong Kong), distinguished guests, ladies and gentlemen,

Good afternoon. It is a great pleasure to welcome you to the luncheon of the Asian Financial Forum. And a special welcome to Professor Lin Yifu, the former Senior Vice President of the World Bank. Professor Lin will deliver a keynote speech for this luncheon, and I'm sure he will provide us with invaluable insights into the global economy and its future prospects.

We have been witnessing a rapidly changing global political and economic landscape. Higher for longer interest rates, geopolitical tensions, regional conflicts and climate change are expected to pose more uncertainty and volatility in the global economy and financial markets. Clearly, the seat belt sign is on, and we must navigate our path with caution and strategic foresight.

But every cloud has a silver lining. Particularly for economies with good potential and prospects for growth, such as economies in the Global South including China, challenges also mean opportunities.

China remains an economic powerhouse. Achieving an economic growth of 4 per cent to 5 per cent is no small feat for such a massive economy. It is pursuing high-quality development, transitioning from a manufacturing-based export-led model to one that integrates exports, infrastructure development and private consumption. With its strong technological and digital capabilities, a skilled and industrious work force, comprehensive industry and supply chains, a firm commitment to green transformation, innovation, reform and high-level two-way opening up, China is on the road to achieve long-term sustainable growth.

ASEAN (Association of Southeast Asian Nations) is also rising. Blessed with rich natural resources and characterised by a young population, a burgeoning middle class, expanding consumer markets and rapid urbanisation, ASEAN is attracting increasing investments from all over the world. Indonesia, which I recently visited, is a shining example.

So is the Gulf Region which is booming with ambitious economic diversification strategies and extensive infrastructure development plans.

Two notable trends are common in the transformation of emerging economies. The first is technological disruption, where AI and other new technologies as well as their interplay are empowering industries and enhancing productivity. It allows economies to achieve leapfrogging progress in a global landscape of realignment of manufacturing and production bases.

The second trend is green transition. In the face of climate change with impacts that transcend borders, all economies are increasingly focused on pursuing growth that is green and sustainable. Transition to cleaner energy options alone entails massive investments, giving rise to significant funding needs. This shift has generated substantial demand for green financial products and technologies, opening up new markets for start-ups, entrepreneurs and financial institutions.

We believe Hong Kong can play an important role in this transformative process.

As an international financial, trade and shipping centre, Hong Kong has long thrived under the "one country, two systems" principle. We enjoy unparalleled advantages to connect China with the rest of the world. The essence of it is this: we have convenient and often priority access to the Mainland market, while maintaining all the characteristics of an international city: the common law system, a judiciary exercising powers independently, free flow of capital, goods, people and information, a low and simple tax system, a currency pegged to the US dollar, and more. As a free port, Hong Kong remains steadfastly committed to free trade and supportive of a rules-based multilateral trading system. This is backed by an efficient customs clearance system and a world-class transport and logistics network.

As a "super connector" and "super value-adder", we believe our unique advantages will create value for partners from Asia and well beyond.

Take Hong Kong's IFC (international financial centre) as an example. What I would like to highlight here is the full range of funding options that this city offers, catering to the divergent needs of governments as well as enterprises at different development stages looking to fund their projects and scale up. Beyond the stock and bond markets, Hong Kong has a vibrant private equity and venture capital ecosystem, with a capital under management of over US\$230 billion, which No. 2 in Asia, just behind the Chinese Mainland.

We are keen on applying more innovative financial strategies to enhance our product offerings. One of these is the securitisation of infrastructure loans, which involves packaging mature, brownfield projects as an asset class for investors, thereby freeing up funds for greenfield initiatives, and in turn expanding the investor base for infrastructure projects.

Another example is catastrophe bonds, an insurance product designed to share natural disaster risks with international institutional investors. Since 2021, six catastrophe bonds have been issued in Hong Kong, covering events ranging from earthquakes in China to storms in the United States, with a total value around US\$750 million. Two of such bonds are listed on the Hong

Kong Stock Exchange.

Apart from the suite of diversified services we could offer as an IFC, Hong Kong can create opportunities for all in many areas. Let me highlight just two.

The first is innovation and technology. With strong basic research capabilities and a vibrant start-up ecosystem, Hong Kong strategically focuses on building its strengths in AI, biotech, fintech and new energy and new materials. We take a multipronged approach in this endeavour, including providing support for research and development, fostering cross-boundary collaboration, nurturing start-ups, attracting strategic enterprises to Hong Kong, and forming synergistic partnerships with sister cities in the Greater Bay Area, or GBA.

A prime example of such a partnership is the innovation and technology co-operation zone sitting across the border between Hong Kong and Shenzhen – what we call "Hetao" – or the Loop area. The zone will host leading enterprises and R&D (research and development) institutions specialising in life and health technologies, AI, data science and other pillar industries. It will be a base to pioneer with innovative policies and collaboration, such as joint clinical trials that leverage on data and bio-samples from both the Mainland and Hong Kong, thereby accelerating the development and approval of pharmaceutical products.

Through enhancing and enriching our vibrant innovation and technology ecosystem, Hong Kong stands ready to share knowledge and contribute technological solutions to enhance productivity and support sustainable development in the region and beyond.

The second area to highlight is our role as a high value-added supply chain management centre. Many enterprises today seek to diversify their risks by realigning or restructuring their industrial and supply chains across different countries, particularly in the Global South. They would require project financing, corporate treasury and logistics services, professional consultancies, and extensive international connections to support this process. Hong Kong is well positioned and geared up to provide all these services as a one-stop shop, to help businesses expand their presence in the region and beyond effectively.

Ladies and gentlemen, like many economies, Hong Kong navigates this complex geopolitical and economic landscape with caution and confidence. As I alluded to earlier, every challenge holds the potential for opportunity. For Hong Kong, we recognise the immense possibilities in finance, innovation, supply chain management and beyond. By working together with our partners, upholding our steadfast commitment to free trade and multilateralism, we will be able to build a bright and prosperous future with benefits for all.

Finally, I wish you all the best of business and good health in the new year of 2025.

