

Speech by FS at business luncheon Hong Kong-Spain: Partnering for Success (English only) (with photos)

Following is the speech by the Financial Secretary, Mr Paul Chan, at business luncheon Hong Kong-Spain: Partnering for Success in Madrid, Spain, today (September 24, Madrid time):

Dr Peter Lam (Chairman of the Hong Kong Trade Development Council), Ms Jarillo (Deputy Director General for Asia, Europe and Oceania, Ministry of Economy, Trade and Enterprise of Spain, Ms Laura Jarillo), distinguished guests, ladies and gentlemen,

Good afternoon. I'm delighted to be here, in Madrid, the dynamic capital and financial heart of Spain, a city renowned for its world-class museums and fine dining and wine, not to mention the best football club in Europe, if not the world. What more can a visitor ask for?

Well, I can tell you that this speaker, and the young and energetic innovation and technology delegation here with me, are pleased to be here, with you, to talk about how Spanish and Hong Kong business can partner for success long-term, mutually rewarding success.

Hong Kong, connecting Spain and Asia

Ladies and gentlemen, like Spain, Hong Kong is back in business after the challenges of the COVID pandemic, back creating opportunity for a world of business. Spain, included of course.

Hong Kong has long been recognised as one of the best connected cities in the world. Half the global population is no more than a five-hour flight away from us.

Before the pandemic, Hong Kong International Airport operated 1 100 flights a day, covering 220 destinations. Today, passenger throughput is rebounding, reaching over 80 per cent of pre-pandemic levels on peak days, with full resumption expected by year's end.

As for cargo, our airport has been the busiest in the world for 13 of the last 14 years.

This strategic connectivity is enhanced by Hong Kong's institutional advantages, reinforcing our role as a "super connector" in Asia.

The unique "one country, two systems" arrangement makes this possible.

As part of China, Hong Kong enjoys convenient and sometimes priority access to the vast Mainland market, particularly the Guangdong-Hong Kong-Macao Greater Bay Area, a city cluster comprising Hong Kong, Macao and nine

Mainland cities in Guangdong province.

The Greater Bay Area's collective population counts more than 87 million, with a GDP exceeding 1.8 trillion euros, surpassing that of Australia and the Republic of Korea.

And, on a purchasing power parity basis, the per capita GDP of the Greater Bay Area is US\$40,000, 75 per cent of Spain's. (Note: HK's is US\$71,500)

Hong Kong, let me add, is the most international city in China, thanks to the "two systems" that distinguish us.

We are the only jurisdiction in China practising the common law system, our judiciary exercising its powers independently. Information, capital, goods and people flow freely in and out of our city. Our taxes are low and simple, with a currency pegged to the US dollar. Our regulatory systems and professional services align with the best international standards.

Our commitment to the rule of law is exemplified by the Rule of Law Index, produced by the World Justice Project. In the latest Index, Hong Kong ranked 23rd and Spain 24th, both ahead of the United States.

Hong Kong's enduring strengths will continue to thrive, as our country is committed to the "one country, two systems" principle for the long term. This commitment has been reiterated by President Xi Jinping on multiple occasions, and reaffirmed at various high-level state and party meetings in Beijing.

Last year, China and Spain celebrated the 50th anniversary of diplomatic ties. And those ties continue to grow. Earlier this month, Prime Minister Sanchez was in Beijing, his second trip to the Chinese capital in two years.

As political and economic ties between our two countries strengthen, Hong Kong is proud to play a pivotal role in fostering more two-way investments, and more economic, innovation and cultural exchanges.

Financial Services

One obvious area where we can contribute is financial services.

Hong Kong, after all, is an international financial centre – number three worldwide, behind only New York and London, according to the latest Global Financial Centres Index, released today.

We have a robust fund-raising market. Our stock market's total capitalisation stands at 3.7 trillion euros, while assets managed by private equity and venture capital exceed 200 billion euros. Hong Kong is the leading biotech fund-raising hub in Asia, too.

A defining feature of our capital market are the "Connect Schemes" with the Mainland. Under the schemes, Mainland investors can buy stock, bonds, ETFs and derivatives directly from Hong Kong, while foreign investors can buy

similar financial products on the Mainland through Hong Kong. In short, Spanish companies looking to list or issue bonds in Hong Kong can tap the capital from both the Mainland and international markets.

Hong Kong is also the world's offshore renminbi hub. As the use of renminbi as a trade and reserve currency increases, businesses will naturally look for renminbi-denominated investment and risk-management tools. Hong Kong handles approximately 80 per cent of global offshore renminbi transactions, offering a wide range of investment and risk-management products.

Then there's green and sustainable finance. We have long been Asia's leader in green finance, issuing, on average, more than 55 billion euros in green and sustainable debt a year over the past three years.

Our green standards align with the best international practices. To take an example, the Hong Kong Taxonomy for Sustainable Finance, released in May, is highly compatible with the European Union's Taxonomy for Sustainable Activities.

For green projects looking for funding, Hong Kong is simply Asia's premier destination.

Innovation and Technology

No less important is our commitment to rise as a global innovation and technology hub, together with the Greater Bay Area.

We have what it takes to realise that ambition. Hong Kong is home to five global top 100 universities, and our two medical schools are among the world's top 40.

We also support 29 labs and research and development centres in collaboration with prestigious universities around the world.

Our start-up system is thriving, offering a variety of innovative products in fintech, green tech, biotech, supply-chain management, big-data analytics and more. And 20 per cent of our 4 200 start-ups were founded by overseas entrepreneurs.

Many of them are based in our two main innovation flagships: Science and Technology Park and Cyberport. And you will soon hear more from senior executives from these institutions, Albert and Eric. Let me add that our delegation members, many of them founders and CEOs of start-ups, are eager to talk to you, to explore business opportunities together.

Hong Kong boasts a full-spectrum financing market, including banks, private equity funds, venture-capital funds and a well-developed stock and bond market. These provide abundant financial support for tech companies local and global, at different stages of growth.

Greater Bay Area cities, let me add, each offers distinct strengths in innovation and technology; from basic research to technological application, commercialisation, and advanced manufacturing.

This year, the World Intellectual Property Organization's Global Innovation Index ranked the Shenzhen-Hong Kong-Guangzhou cluster second, globally, for the fifth consecutive year.

Now, allow me now to highlight a few I&T areas where Hong Kong and the Greater Bay Area offer singular advantages, starting with artificial intelligence.

Crucial to AI are algorithms, supercomputing power, data and application scenarios, all of which Hong Kong is blessed with. We serve as a convergence point for Mainland and international data. We are also investing in the necessary infrastructure, including a supercomputer centre. Hong Kong and the Greater Bay Area provide many different application scenarios for AI. Many AI companies, let me add, are choosing Hong Kong to develop their large language models and to go global.

Biotechnology is also a priority. And we are planning to conduct clinical trials for the Greater Bay Area. We are also working on a "primary evaluation system" that will allow medicine and medical devices approved in Hong Kong to be widely used in the Greater Bay Area, the Asian region and around the world.

Then there's the Northern Metropolis, a 300-square kilometre area in Hong Kong bordering Shenzhen. The Northern Metropolis is destined to rise as an innovation and technology hub, a vast bridgehead for Hong Kong's co-operation with other Greater Bay Area cities.

Ladies and gentlemen, that just touches on the opportunities Hong Kong is actively pursuing. But let me say that we're particularly focused on four areas: AI, biotech, fintech and new energy and new materials. We are bringing in strategic companies to help us develop those sectors. Since the end of 2022, we have attracted over 100 tech companies to Hong Kong. Together, they will invest about 6 billion euros and create more than 15 000 jobs in our city.

We are equally keen on attracting talent. Since the launch of the new talent admission schemes and updating existing ones, to date, we've received some 360 000 applications under our various talent admission schemes. About 226 000 applications have been approved, and 150 000 professionals have already arrived in Hong Kong, I'm pleased to say.

Concluding remarks

Ladies and gentlemen, Hong Kong offers boundless opportunities for Spanish companies – as a gateway to the Chinese Mainland and throughout Asia, and as a hub for financial services and I&T.

My thanks to the Hong Kong Trade Development Council for hosting today's luncheon, and to our Spanish partners, including CEOC, ICEX and the Spanish Chamber of Commerce, for make this welcome gathering possible.

I am happy now to take your questions, to hear your thoughts and ideas on how our two economies and peoples can deepen our co-operation, creating

far-reaching opportunities that benefit us all.

Thank you.

