

Speech by FS at Hong Kong-Japan and Japan-Hong Kong Business Co-operation Committees 42nd Plenary Session Luncheon (English only) (with photos)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Hong Kong-Japan and Japan-Hong Kong Business Co-operation Committees 42nd Plenary Session Luncheon today (November 28):

Ambassador Okada (Consul-General of Japan in Hong Kong, Mr Kenichi Okada), David (Chairman of the Hong Kong-Japan Business Co-operation Committee, Mr Tan Sri Dato' David Chiu), Chairman Kunibe (Co-Chairman of the Japan-Hong Kong Business Co-operation Committee, Mr Takeshi Kunibe), Chairman Ikeda (Co-Chairman of the Japan-Hong Kong Business Co-operation Committee, Mr Junichiro Ikeda), Margaret (Executive Director of the Hong Kong Trade Development Council, Ms Margaret Fong), distinguished guests, ladies and gentlemen, Good afternoon.

I am delighted to join you today for the 42nd Plenary Session Luncheon of the Hong Kong-Japan and Japan-Hong Kong Business Cooperation Committees. This is our first physical meeting in Hong Kong since the pandemic. For those of you coming from Japan, a very warm welcome. My congratulations to you, too, on your joint 45th anniversary.

This morning, you engaged in dynamic and candid exchanges on the economic situations in Hong Kong and Japan, the promising prospects of collaboration between our two economies, and on the unique opportunities available across sectors, from aviation to green transition and the silver economy.

Now, after a fortifying lunch, I would like to share some observations about Hong Kong, the vision we hold for our city, and our fruitful relationships, hoping be your intermezzo before dessert.

Hong Kong-Japan ties

Hong Kong and Japan undoubtedly enjoy strong economic and cultural ties. Japan is our fifth-largest trading partner and the ninth-largest source of inward direct investment. Over 1 400 Japanese companies operate in our city, and the number is growing. Meanwhile, Japan remains a popular travel destination for us. Around 2 million Hong Kong tourists visited Japan in the first nine months of this year. Statistics last year show that nearly 40 per cent of Hong Kong tourists to Japan had visited the country 10 times or more.

Your culture – ranging from food to fashion and animation – is deeply loved by our people across all ages.

Building on these cordial relationships, I believe there is much more that Hong Kong and Japan can do together to create further mutually beneficial opportunities.

Hong Kong's unique advantages

Although we have gone through many challenges over the past few years, Hong Kong remains an open, welcoming and vibrant international city. That vitality is vested in the "one country, two systems" principle. Two years ago, when President Xi Jinping visited Hong Kong to commemorate the 25th anniversary of the establishment of the Hong Kong SAR (Special Administrative Region), he emphasised the importance of adhering to this principle in the long term.

Essential to that principle is our international character, supported by our legal system, that is common law; respect for the rule of law, an independent judiciary; the free flow of capital, goods, information and talent; top-notch professional services, and business practices that align with the best international standards.

These distinct advantages are well reflected in our international rankings. Hong Kong has once again been recognised as Asia's premier international financial centre, and ranks among the global top three, alongside New York and London. Canada's Fraser Institute has consistently ranked Hong Kong as the freest economy in the world. In this year's World Competitiveness Ranking published by IMD of Switzerland, Hong Kong has moved up two places to become fifth in the world.

Since emerging from the pandemic, Hong Kong's economy has continued to grow. While external headwinds, geoeconomic fragmentation, and shifts in consumption patterns of visitors and local people pose challenges, monetary easing by major central banks, and the Mainland's supportive measures to the economy are fostering positive sentiment in our economy and asset markets. This year, we forecast an economic growth of 2.5 per cent. Inflation is at 1 per cent, and the unemployment rate is 3.1 per cent. Both figures are low compared to many advanced economies.

In the medium to long term, Hong Kong's prospects remain as bright as ever. With the staunch support of the Central Authorities, we are focusing on eight key areas: finance, shipping, trade, aviation, innovation and technology, legal and dispute resolution services, intellectual property trading, and East-meets-West cultural exchanges.

Hopes for the future

Among these areas, in the interest of time, let me highlight just two: financial services and innovation and technology.

In financial services, international investors continue to express strong confidence in Hong Kong. From the beginning of 2023 until September 2024, bank deposits increased by 11 per cent, amounting to approximately JPY34 trillion. Hong Kong has raised about JPY1.4 trillion in IPOs (initial

public offerings), ranking fourth globally. The assets under management in our wealth management sector reached JPY610 trillion, a 30 per cent increase compared to 2018.

Our ability to connect Mainland and international capital markets is pivotal. The Connect Schemes, initiated 10 years ago, facilitate international investors to access the Mainland market through Hong Kong, and vice versa. These schemes have expanded from stocks to include bonds, ETFs (exchange-traded funds), derivatives, and real estate investment trusts, as recently announced. We are also working to establish financial connectivity with emerging markets, in particular the Middle East and ASEAN (Association of Southeast Asian Nations) to attract more capital and good companies to our city.

New horizons are also being opened in financial services. For example, the recent Policy Address outlined the vision to develop Hong Kong into an international gold trading centre. By leveraging the city's free port status, strategic geographic position, robust logistics networks, and exceptional professional services, the goal is to create a comprehensive ecosystem for both physical and financial gold trading, along with a variety of related financial products.

Then, there is innovation and technology. Over the years, we have invested over JPY4 trillion. We are focused on four strategic areas: AI (artificial intelligence) and data analytics, biotech, fintech and new energy and new materials. To expedite development, we established the Office for Attracting Strategic Enterprises in late 2022. Through our efforts, we have successfully attracted over 100 innovative enterprise partners to Hong Kong, and expect to bring in more than JPY920 billion in investments and create 17,000 quality jobs. By the way, Invest Hong Kong has attracted more than 500 enterprises in the first 10 months of this year, and they will bring some JPY1 trillion in investments and create more than 6,600 jobs.

In tandem with this, we are dedicated to attracting global talent. Our various talent admission schemes have proven popular. We received nearly 400,000 applications to date, with more than 250,000 approved. Over 160,000 individuals have already arrived in the city.

Greater Bay Area

No discussion for Hong Kong's future would be complete without mentioning the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). The GBA consists of Hong Kong, Macao and nine Mainland cities in the Guangdong province. The GBA is a region with a population of 87 million, with a GDP (Gross Domestic Product) of about JPY300 trillion, roughly equivalent to that of Italy. With a per capita GDP of some JPY3.5 million, it is a huge consumer market. The affluent population in the region is increasingly looking for high-quality goods as well as offshore asset allocation. The GBA Wealth Management Connect, first launched in September 2021, has provided a convenient channel for residents in the region to invest in wealth management products in Hong Kong. After further enhancement measures in February this year, the cross-boundary capital flow has grown six times, most of which is

Southbound from the GBA.

For I&T (innovation and technology), we are working with the GBA as a whole. We're developing the Northern Metropolis along the border with Shenzhen. The Northern Metropolis is set to host the 87-hectare Hong Kong-Shenzhen I&T Park, home to many of the world's leading I&T enterprises. Last week, we released the Development Outline for the Park, aiming to provide a seamless cross-boundary flow of talent, data, investment and even bio-samples, with our counterparts in Shenzhen.

Speaking of the GBA, and indeed the Mainland in general, I should mention the recent enhancements to the service agreement under CEPA (Comprehensive Economic Partnership Agreement) with the Mainland. To ease market entry by Hong Kong firms, the three-year substantive business requirement for most Hong Kong service sectors has been removed. This allows Japanese companies established in Hong Kong to enter the Mainland market faster.

Concluding remarks

Ladies and gentlemen, there is much to anticipate in the relationship between Hong Kong and Japan. Hong Kong will continue to be open and welcoming to Japanese enterprises and individuals, serving as the ideal gateway for expanding business into the GBA, the Mainland at large, and beyond.

Finally, I extend my gratitude to the Hong Kong Trade Development Council for its unwavering commitment to this vital bilateral partnership.

I wish you all good health, happiness and the best of business in the coming years. Thank you very much.

