

Speech by SCED at “Business Climate in Hong Kong” Chinese New Year webinar (English only)

Following is the speech by the Secretary for Commerce and Economic Development, Mr Edward Yau, at the "Business Climate in Hong Kong" Chinese New Year webinar co-organised by the Hong Kong Chamber of Commerce in Sweden, the Royal Swedish Academy of Engineering Sciences, the Hong Kong Economic and Trade Office in London, and the Hong Kong Trade Development Council today (February 15):

Distinguished guests, ladies and gentlemen,

It gives me great pleasure to join you all today at this Chinese New Year webinar event co-organised by the Hong Kong Chamber of Commerce in Sweden, the Royal Swedish Academy of Engineering Sciences, the Hong Kong Economic and Trade Office in London, and also the Hong Kong Trade Development Council.

The Year of the Tiger marks an important milestone for Hong Kong as we celebrate the 25th anniversary of the establishment of the Hong Kong Special Administrative Region under the theme of "A New Era – Stability, Prosperity, Opportunity". The tiger symbolises strength, courage and energy that are also the attributes of Hong Kong displayed in this new era. It would be an opportune time to update you on the business environment in Hong Kong and the numerous exciting opportunities ahead despite COVID-19.

With the implementation of the National Security Law and improvements to our electoral system, we are glad to see that Hong Kong has been back to a safe and stable city in this part of the world. Despite the persistent challenges of COVID-19, last year's economic performance was very encouraging indeed. In 2021, Hong Kong's real GDP by overall terms recorded a significant growth of 6.4 per cent, while the total merchandise trade value increased by 25 per cent, reaching a record high and surpassing the record in 2018 by 16 per cent. The latest unemployment rate for Hong Kong in the three months ended December 2021 has come down to 3.9 per cent. According to our latest annual surveys, the number of business operations in Hong Kong with parent companies overseas or in the Mainland rose to over 9 000 and the number of start-ups in Hong Kong increased to about 3 800 last year, both reaching our historical record. These achievements are also a testimony to the resilience and prosperity of the Hong Kong economy.

At the moment, we are tackling the fifth wave of COVID-19 and we are taking swift, precise and resolute actions – tightening social distancing measures, boosting vaccination rate, ramping up testing capabilities and also strengthening contact tracing efforts, all of which give us the confidence that we will be able to ride out the fifth wave successfully.

I am also well aware that international business communities in Hong Kong are very much concerned about the travel restrictions and quarantine requirements in Hong Kong. As you all appreciate, every decision around the restrictions is a tough act of balance – between public health on the one hand, and economic, wider community and social aspirations on the other. We are keeping the situation under constant and frequent review. For instance, in the light of the shorter incubation period of the Omicron variant, with effect from February 5 this year, the quarantine requirement in Hong Kong for international travellers has been shortened from 21 days to 14 days in designated hotels, to be followed by a seven-day self-monitoring period. Please rest assured that whenever there is a chance or any room for adjusting the restrictions, we will certainly take very swift action to make sure that we will facilitate the business community as far as possible.

We have all along treasured the bilateral relation between Hong Kong and Sweden, which I would say is very close and cordial. I recall receiving your Royal Highness, Prince Carl Philip, who visited Hong Kong with two business delegations back in 2017 and took part in our annual Business of Design Week. Among the European Union countries, Sweden was Hong Kong's fourth largest trading partner in services trade in 2019 and also 12th largest partner in merchandise trade in 2021.

I note that one of the Swedish Government's policy priorities is to accelerate the speed of climate transition while facilitating more private investment to help reduce carbon emissions and increase job opportunities. In my previous capacity as the Secretary for Environment, I visited Malmo twice to learn from you the experience of making yourself a green and smart city. As an international financial centre with a robust regulatory framework, Hong Kong has the edge to develop into a green finance hub and serve as a premier platform to finance green and sustainable projects. We will continue to work with Sweden to address the climate change and work towards carbon neutrality all together, hoping that altogether we can build a much better and greener world.

Hong Kong has always been an ideal springboard for Swedish companies to enter into the Mainland and other Asia-Pacific markets. The National 14th Five-Year Plan continues to support the "four traditional centres" of Hong Kong, namely an international financial centre, an international transportation centre, an international trade centre, and a centre for international legal and dispute resolution services in our part of region. It also raises for the first time the support for Hong Kong to enhance, establish and develop the "four emerging centres", namely an international aviation hub, an international innovation and technology centre, a regional intellectual property trading hub as well as a hub for arts and cultural exchanges. Swedish companies can seize very important business opportunities arising from both our traditional and emerging roles.

The development of the Guangdong-Hong Kong-Macao Greater Bay Area, or GBA in short, is another national strategy. Hong Kong is, in fact, an excellent choice for Swedish companies to establish your presence in order to tap into the GBA market, which has over 86 million population and perhaps the highest cluster of middle-income cities in the Mainland. Together we can

explore collaboration and opportunities to reach out to technology and manufacturing sectors and to collaborate with research institutions, so that we can take full advantage of "one country, two systems", the free trade agreement between Hong Kong and the Mainland i.e. the Closer Economic Partnership Arrangement (CEPA), as well as the GBA policy. CEPA is a nationality-neutral policy, which gears up not just for Hong Kong enterprises but any firms around the world coming to base in Hong Kong, meaning that there is no restriction on the source of capital in order to become eligible for the CEPA benefits.

In 2017, Hong Kong extended our free trade agreement network to cover all member states of the ASEAN community, including 10 countries in Southeast Asia. It brings about legal certainty and better market access for the trade in goods as well as in services, and also particularly covering investment protection. We have also indicated our interest in joining the Regional Comprehensive Economic Partnership, or RCEP in short, which is the largest free trade arrangement in the world. The RCEP covers 10 ASEAN countries I have mentioned plus Australia, New Zealand, Japan, Korea and the Mainland of China. These together form, in fact, the world's biggest trade group and are emerging to be even bigger than what they are now. All these will extend our opportunities and consolidate Hong Kong's position as a leading international business hub. The opportunities will be shared by all those coming to Hong Kong as a base, including our Swedish partners.

At this moment in time, the whole world is struggling with the impact of COVID-19 and together we have to win over this battle. Keeping COVID-19 at bay under full control is the shared wish among all of us and there are many scopes that we can work together. While we are fighting COVID-19, let's not lose sight or hope of the abundant opportunities arising from this part of the world where Hong Kong is situated. Hong Kong, and our business community in particular, stand ready to work closely with our Swedish partners to chart our way forward for a sustainable economic recovery, and also perhaps a better world with a greener and sustainable future.

Meanwhile, may I wish you all to stay safe, healthy and happy. I hope to see you next time face-to-face either in Hong Kong or in Sweden. Thank you.