

Speech by STH at 2nd Annual Capital Link Hong Kong Maritime Forum (English only)

Following is the speech by the Chairman of the Hong Kong Maritime and Port Board and Secretary for Transport and Housing, Mr Frank Chan Fan, at the 2nd Annual Capital Link Hong Kong Maritime Forum today (December 1):

President Nicolas (President of Capital Link, Inc, Mr Nicolas Bornozis), distinguished guests, ladies and gentlemen,

Good morning. Welcome to the Capital Link Hong Kong Maritime Forum.

2020 is a year to be remembered. On the very first day of 2020, IMO's low sulphur regulations officially came into force. In November, the IMO Environment Committee approved amendments to the MARPOL convention to cut ship emissions by reducing carbon intensity. Taking into account IMO's decision to give further consideration to a US\$5 billion fund to accelerate decarbonisation, all these combined highlight the commitment of the international shipping community. At the same time, the emergence of the COVID-19 pandemic not only reshapes the way we live, it also disrupts the shipping industry on all fronts. Closure of ports and various forms of restrictions have brought huge uncertainties to ship liners, and leave hundreds of thousands of seafarers stranded at sea. To the shipping industry, it is simply unprecedented.

Across the globe, many economies, large or small, are caught off guard. Since April this year, the International Monetary Fund has made repeated revisions of its global economic growth forecast, down from +3.3 per cent to the latest -4.4 per cent. It would be the worst recession since the Great Depression in the 1930s. According to the latest World Economic Outlook report published in October, the global economic outlook is going to be a long and difficult ascent.

In addition to the economic setbacks brought by the pandemic, the Hong Kong shipping industry has fallen victim to the so-called sanctions imposed by the United States. Under the pretext of the enactment of a law on national security, the US is unilaterally terminating the international shipping income tax agreement with Hong Kong. These agreements are not US' preferential treatment for Hong Kong. They are bilateral agreements negotiated in good faith to benefit the peoples and businesses of both sides in shipping and tax treatment. The US' unilateral decision reflects its disrespect for bilateralism and multilateralism under the current administration. In any case, such an unjustified action will inevitably increase the operating costs of the shipping companies concerned, particularly those running trans-Pacific routes. We are working closely with the industry to identify measures to mitigate the consequential impacts.

Hong Kong has survived the Asian financial crisis, the SARS epidemic, the global financial crisis and other challenges over the years. Every time, we fight with all our might, we overcome and rise again, and become stronger and more resilient. One thing remains very clear, the fundamentals that have made Hong Kong a leading international financial, trade, aviation and maritime centre are still very much intact. Recognising our freedom in business, trade and finance, Hong Kong was named the world's number two in this year's Index of Economic Freedom by the Heritage Foundation. Hong Kong was placed fifth in the IMD World Competitiveness Ranking 2020. While we will not lose sight of the uncertainties out there, I have every confidence that Hong Kong will continue to thrive when the pandemic is over, given the immense opportunities arising from the Greater Bay Area development.

More specifically on the maritime front, work continues to be in full swing despite the global turmoil. Last year when I spoke at this Forum, I gave a prologue on the initiatives to foster the development of high-value-added maritime services in Hong Kong. Today, I am pleased to give you an update.

With effect from April, a preferential tax regime for ship leasing businesses came into force. Qualifying ship lessors and ship leasing managers now enjoy 0 per cent and 8.25 per cent profits tax rates respectively. For marine insurance businesses, another piece of legislation was enacted to halve the profits tax rate from 16.5 per cent to 8.25 per cent. To foster continual growth of our maritime cluster and attract more maritime principals to Hong Kong, we are examining further tax incentives for shipping commercial principals.

As regards the international front, we have also attained some notable accomplishments. Recognising our strengths in maritime arbitration, the Baltic and International Maritime Council has recently announced Hong Kong as the fourth arbitration venue in its standard maritime contract. Our Shipping Register, the world's fourth-largest, has extended its service network through the setting up of regional offices in London, Singapore and Shanghai since late 2019, and more regional offices will be set up in other parts of the world. All these developments have showcased Hong Kong's status as a maritime services hub, and our commitment to serve the international shipping community.

However unprecedented it is, the year 2020 will be history, and now is the defining moment for us to look ahead and chart the way forward. The future of shipping is nothing but bright, and being smart and green is key. This is particularly true in 2020, as the COVID-19 pandemic has given the impetus for all of us to accelerate the adoption of technologies. Smart solutions ranging from e-certs and e-communication, to automation, robotics and artificial intelligence are adopted to help reduce manual processes and thus minimise human contact. Technologies not only mitigate immediate operational challenges, but also capture far-reaching business opportunities. "E-shipping" has now become a buzzword, and shipping communities across the globe are scrambling for answers. Identifying the right solution at such a

difficult time is not at all easy. We will work in tandem with the shipping community, local and global, to explore further and together.

Apart from being smart, we see a green future in shipping too. The IMO has resolved to take forward various environmental initiatives including reduction of greenhouse gas emissions by at least 50 per cent by 2050. Given these targets, the shipping industry is not only going to use cleaner oil-based fuels, but is also exploring alternative energy such as liquefied natural gas, fuel cells and even the use of solar and wind power, as well as more efficient propeller design. I am excited to note that a host of technologies is being examined, and I am sure the shipping community will leave no stone unturned in coming up with the best way forward.

In closing, may I express my heartfelt appreciation to Capital Link, for organising such a stimulating and thought-provoking event in Hong Kong since its debut last year. I wish you all an enjoyable and fruitful Forum. Thank you.