

Speech: FST speech to the Hong Kong Trade Development Council Dinner: 27 September 2018

Introduction

Chief Secretary, distinguished guests, Lords, ladies, gentleman, it is a pleasure to address you this evening.

As a finance minister, I am often told to keep things small, not big.

As the Minister responsible for taxation, I look to Hong Kong for inspiration.

Because your tax code is 270 pages. Our is 17,000.

So I have some lessons to learn!

One Country, Two Systems

Ladies and gentlemen, over twenty years ago Deng Xiaoping and Margaret Thatcher agreed the principle of "One Country, Two Systems" ...

...a structure designed to protect Hong Kong's high degree of autonomy, independent judiciary, rule of law, and rights and freedoms of its residents and others in the Special Administrative Region.

And at the time, of course, it was not without its critics...

...many people felt a sense of trepidation about what was to come...

...with some prophesising a highly regulated economy or indeed, even economic decline.

But the critics have been proved wrong, and Hong Kong has indeed stood the test of time.

"One Country, Two Systems" has protected the success of Hong Kong...

...and it is vital that this continues...

...as part of the faithful implementation of the Joint Declaration.

More than ever, Hong Kong has been characterised by strength and prosperity.

Today it stands as one of the most thriving and energetic cities in the world...

...like London, a global financial powerhouse...

...and the gateway to China – one of the biggest markets in the world.

And more than ever, we should perhaps reflect on Hong Kong's legacy...

...and take on board the lessons of history.

Because in the immortal words of Mark Twain, history doesn't repeat itself – but it does rhyme.

As the UK prepares to leave the European Union...

...to face the world ...

...we acknowledge that we will always be a part of Europe...

...but we are ready to take control of our future...

...as a sovereign nation, as Global Britain.

Just as Hong Kong challenged the naysayers all those years ago...

...our country has the chance to do precisely the same.

The ties that bind us together

Chief Secretary, by geographic fate, the UK and Hong Kong stand as lighthouses in our regions...

...bordered by sea, gateways to commerce, with a shared history of entrepreneurship.

But geo-politics is not the only thing that binds us...

... because we both share certain special qualities.

We are filled with a sense of determination, of adventure, and in our economic affairs – an unwavering commitment to cross-border trade.

These are qualities that will allow the UK and Hong Kong to survive the turbulence of the 21st century...

...and grasp the opportunities it undoubtedly presents. And, as the UK faces a time of unprecedented change in her history, we are looking to our international partners...

...and especially to those with which we have deep historic ties.

The enduring relationship between the UK and Hong Kong has its foundation in a shared history...

...but it has grown into so much more than that.

Just look at the 300,000 British citizens resident in Hong Kong...

...to the tens of thousands of Hong Kong students who study in the UK every

year...

...to the British Council's Festival of Ideas next January – which will showcase the best of UK creativity and innovations.

So, we have a strong base of shared values...

...and a legacy of exchange – be it of ideas, culture or people.

But as a Treasury Minister, it is the continued strength of our economies...

...and the two-way flow of trade and investment upon which I want to focus on this evening.

Tapping into new markets together

Our two great economies are deeply intertwined...

...Hong Kong remains the UK's second largest export market for goods in the APAC region...

...investment from Hong Kong into the UK has increased by 35% since 2010...

...and Hong Kong is home to over a third of all British investment in Asia.

And as we leave the European Union, we will look to further enhance our partnership with Hong Kong. Because despite appearances, no financial centre is an island...

...both the UK and Hong Kong are leading global hubs...

...in facilitating trade and prosperity throughout Europe, Asia and beyond.

And we are stronger when working together.

Through the annual London-Hong Kong Financial Forum, we have committed to explore and capitalise on the issues facing our financial industries.

It is only by harnessing the forces set to reshape financial markets – rather than avoiding them – that we can continue the UK and HK's mutually beneficial relationship.

Globalisation, climate change, infrastructure, technology...

...should be taken and acknowledged for what they are...

...as opportunities to seize.

Take for example the untapped potential of green finance...

...and the role it could play in funding 21st century corporates...

...and facilitating infrastructure projects worldwide.

In Asia – this could range from the Greater Bay Area to the trans-continental Belt and Road Initiative...

...and here at home, I am proud to see green finance being put to use as we build the UK's Northern Powerhouse.

Green finance has the potential to be a rapidly expanding force of financing.

To meet the infrastructure needs of developing Asian economies would require \$1.5 trillion in investment per year until 2030.

We should all rise to the challenge as to how green finance can be targeted to plug that gap.

This vision will only be attained if leading financial centres – like London and Hong Kong – work in tandem to scale-up the sector...

...and foster the right environment for a competitive green marketplace to emerge.

Green finance of course is but one area of innovation that the UK and Hong Kong can capitalise on.

At this dinner last year, the UK-Hong Kong FinTech Bridge was witnessed by the Chief Executive and the Chancellor of the Exchequer...

...to enhance connectivity...

...pool our mutual expertise...

...and permit our firms to access the capital, talent, accelerators and start-ups in both jurisdictions.

The bridge that extends between us will apply cutting-edge technology to turbo-charge our financial industries.

I am a great believer that FinTech has enormous power to transform international finance...

...and create a more efficient, productive and bespoke industry for corporates and consumers.

So I am thrilled that the UK and Hong Kong remain at the frontier of this sector.

In the months and years ahead, green finance and FinTech are but two aspects of an ambitious bilateral agenda.

I welcome the Chief Executive's support of our Strategic Dialogue on Trade Partnership...

...which gives us a way to identify and address any remaining barriers to trade between the UK and Hong Kong.

And we are preparing for the 8th London-Hong Kong Financial Forum...

...working to ensure corporates and investors can access new opportunities...

...and delivering the innovation and thought leadership necessary to meet challenges bigger than any one financial centre.

Because the joint investment opportunities are vast – just take the rise of China.

It is expected that up to \$600 billion in foreign funds will enter the Chinese stock market in the next 5 – 10 years...

...channelled through Stock Connects that are operational in Hong Kong...

...and soon to launch in London.

Already around 60% of all Chinese capital flows through Hong Kong...

...often hiring UK professional services firms as intermediaries and advisers.

The opportunities to fully explore the potential of investment in China ...

...is something we should both consider a priority in the years ahead.

I know I speak on behalf of the Chancellor and the Government when I say that we are committed to exploring the synergies between Hong Kong and Global Britain...

...collaborating to bring us both greater prosperity and competitiveness.

Conclusion

So, to conclude this evening, I want to share this quote with you:

“Britain must always think and act internationally. But rather than rely on our influence within the confines of a narrow Europe I would have us fulfil our destiny as a nation with global interests and a special understanding of the world derived from our history.”

That was Margaret Thatcher speaking in Asia before the handover of Hong Kong in 1997.

And her words have never been more relevant.

As we prepare to face the world as Global Britain, eager to embrace the opportunities this country voted to explore...

...we are looking beyond Europe; we are looking East.

There has never been a better time to unlock the full potential of our relationship with Hong Kong, a natural ally in the East.

I look forward to strengthening the bonds between us...

...for the years to come.

Thank you all very much.