

Speech: Global Britain, Global Hong Kong

It's hard to believe, but in a couple of weeks, I will have notched up 6 months in Hong Kong. Frankly it feels more like 6 weeks since Jane and I and our daughter Emma touched down in Hong Kong to start our 4-year posting here.

I am very grateful for the chance to share with you some of my observations about the UK/Hong Kong relationship and to set out my priorities for the year ahead.

Perhaps I could start by talking a bit about why I applied for the role here. My previous Ambassadorial posting was in Myanmar. I applied for that job, in part, because I could see how important Myanmar was to UK foreign policy. That Ministers from the PM down, parliamentarians and the Foreign & Commonwealth Office (FCO) all closely followed what happened there. And therefore that the role of Ambassador would have real influence and traction back in London.

And I wanted to work in Asia as I could see like many others that Asia's global importance was growing by the day.

When, some 18 months ago, I was looking for my next overseas posting, I was looking for a slot that had that key factor of importance to the UK, but actually went beyond it. Where that interest was wider than being largely political, and extended right across the range of a diplomatic mission's work. And that – and because I had enjoyed my first Asia posting so much – was why I applied for the job here.

And I am delighted that my instincts have been right. Hong Kong does indeed remain a top priority issue in the UK. When I was doing my briefing calls in London and preparing to take up this role, I met a wide range of people representing Government, Parliament and business to hear their views on Hong Kong and listen to their advice about what I should be focussing on. During these calls I was struck both by how deeply people in the UK care about Hong Kong, and about the depth and breadth of the agenda.

This has been borne out also since I arrived here. Not least by the number of Government Ministers who have visited in these last 6 months – many of whom I know you have heard from directly. The most important thing about that is that these visits by Ministers all came in the aftermath of the EU referendum when the demand for Ministerial visits from overseas posts was massive and on top of that restrictions on Ministerial travel because of the Government's slim majority in Parliament. Hong Kong has had and will continue to have a high level of ministerial attention.

And it may be worth pausing for a minute to think why. Firstly, of course it's our history. The Joint Declaration was signed by the UK and China in 1984. That gives us a continued legal interest as well as a historical one in

its implementation and an ongoing commitment to the people of Hong Kong.

Second, it's our relationship with China. The provisions of the Joint Declaration, enshrined in the Basic Law, find expression in 'One Country, Two Systems', which was a really unique response to the conundrum of what might happen in 1997.

In the 20 years since handover, it continues to function well in the majority of areas enabling Hong Kong to remain one of the most open economies in the world, a global financial centre, and a place with a reputation for rule of law and freedom of expression. Hong Kong remains an important part of the UK-China relationship thanks to this shared history and thanks to some of the opportunities we have now and in the future for triangular cooperation. More on that later.

Then there's the trade and investment links between us. Hong Kong is our second largest trading partner in Asia and one of our most important direct investors across a wide range of sectors. I will spare you the stats. Suffice to say that trade and investment pillar of our relationship has been and will remain absolutely fundamental to what we do here.

And finally on this, our people. I won't spare you the stats here. There are an estimated 300,000 British citizens living and working in Hong Kong and 3.4m BNO passport holders. Over half a million British tourists come here every year. Hong Kongers are also keen travellers to the UK and many students go to the UK for their higher education. And they remain hugely important to the UK in this post referendum era.

Those for me are the 4 areas that form the bedrock of our relationship. But the context we operate in is very fluid right now. The last 6 months have seen turbulence on the international stage, and significant political developments in the UK, Hong Kong and the rest of the world. I'll start briefly in the UK.

Since June the political landscape has been fundamentally changed by the referendum result. It led to a change of Prime Minister; questions over the role of Parliament in the process, a heated public debate that has at times polarised public opinion, already talks going on with EU and international partners... and all this before formal negotiations begin.

The EU referendum has caused a degree of polarisation in the UK. But that's happening elsewhere. Elections elsewhere in the Americas and Europe – both recent and imminent – are doing the same. Hong Kong has not been immune to this trend as was clear from the September Legco elections and some of the debate around the Chief Executive campaign.

In Hong Kong, as in the UK, the political discourse is heated, opinions are split, and the Courts have been under the spotlight with constitutional questions at the fore. So just as with the UK Prime Minister, the next Chief Executive faces a formidable series of challenges.

This polarisation is one of the most interesting and worrying issues we face

right now. I can remember the UK in the 80s where political opinion was hugely polarised, before coming together in a more centrist consensus in the 90s and the first decade of this century. My parents would remember the same trends in the immediate post war era. Just because we've seen things come together before doesn't mean we can be complacent. And this is where again the UK and Hong Kong share similar challenges. The British PM talked on her first day about the need to address the concerns of people who are "only just managing".

I have been struck by how these themes are mirrored in the messages of all the Chief Executive candidates who have been clear in their determination to address the issue of how we make our economies work for ordinary people. And to mend fences in society.

Which leads to my second observation since arriving. It's not just the challenges we share, we also share values that are key to addressing those challenges. The two that stand out to me since I arrived here are; firstly our commitment to open markets; second our commitment to rule of law and fundamental freedoms. For me these hold the key to addressing the challenges we both face. I will speak about open markets later, but the rule of law is very much on my mind.

In a speech made in Hong Kong in August 2014 the President of the UK Supreme Court and non-permanent judge of the Hong Kong Court of Final Appeal, Lord Neuberger, talked about the importance of vigilance in the face of inevitable challenges to the rule of law. Lord Neuberger spoke again on these issues, not about Hong Kong, but about the UK after the Brexit decision by the Court of Final Appeal. The Government accepted that judgement, but the judges themselves came under incredible criticism in the press and I know that has been replicated here. When I spoke about this to Hong Kong Justice Secretary Rimsky Yuen a couple of weeks ago. We both agreed that it is absolutely right that people voice dissent with court decisions.

What isn't right is to play the man not the ball. To indulge in personal attacks on the judges themselves or to claim that the rule of law is broken because a judgement doesn't go the way we think it should is where we need to be extremely vigilant.

This leads into another debate about the importance of freedom of expression and how to balance the need for freedom of expression with the need to respect the rule of law. And to respect those – like judges – who practice it. There is already a major debate going on worldwide on this and it will be one where I believe the UK and Hong Kong can combine their shared values to make an important contribution.

The reason I mention that is when I've spoken to people here, the rule of law comes up time and time again. Many UK companies cite rule of law in Hong Kong as one of the principal reasons for their presence here. And Hong Kong investors cite the same reason for their continued intention to invest in the UK.

Open markets are also a shared priority. Both the UK and Hong Kong are open

economies. Which means it's probably time to say something about Brexit. Our role is to ensure that people in Hong Kong understand that the UK remains global and outward facing. The fastest growing economy in the G7 and second fastest growing in the G20. That success has come from being innovative, creative and open to new ideas. That's not just a message for business; it is a message for visitors from Hong Kong, Hong Kong students wanting to study in the UK and skilled Hong Kong workers coming to take up employment in the UK.

I'm very happy to talk about what Brexit means in terms of what the PM has said about it. But the key point is that we do want a very constructive and continued open relationship with the EU. It's going to be a difficult and hard negotiation but we're starting from a point of wanting a very positive relationship with the EU and to be increasingly outward looking to the rest of the world.

So, what does that mean for Hong Kong? Well, for a start, Secretary of State for International Trade Liam Fox and his counterparts here in Hong Kong agreed that we should stand together to be proactive as champions of global free trade and opponents of protectionism. They also agreed to open preliminary discussions at the appropriate time to assess the barriers to trade and investment that may exist between our two economies and if we find they exist to seek ways to remove them.

And there is more than that, but those are the two main headlines. And there's another area I should mention which is transparency, where there's work going on in the Consulate. It's not the most exciting area of work, but it is actually quite important. So what we're trying to do is build an increasingly close partnership to stay fully aligned with emerging global standards of financial transparency. The UK will be one of Hong Kong's first partners for the automatic exchange of information on taxation. We are also working closely with officials and regulators here to introduce greater transparency of beneficial ownership of companies.

Neither of these issues quickens the pulse but they do matter for a number of reasons. They matter in a practical sense: greater transparency helps our law enforcement agencies to make it more difficult for terrorists and organised crime groups to damage our security and prosperity. They matter because London and Hong Kong need to maintain strong reputations for financial propriety to stay competitive as global business centres.

And in a broader sense, we saw this with the Panama Papers story – which touched on so many countries – highlighted the risk that too little transparency, the image of global finance might be associated in the public mind with criminality, or with elites pursuing their own interests without regard to the public good. And that links back to the challenge of making ordinary people feel that our economies are working for them.

Financial services. This is a key area for us and probably as important here as it is anywhere else in the world. The City of London's global success is based on fundamental strengths that will not be altered by leaving the EU. Like Hong Kong it is a global financial centre not just a regional one.

The city's strengths are many – the quality of professional skills; the depth and breadth of professional services in the Square Mile, the appreciation for diversity and the ability of London to attract global talent. The rule of law and effectiveness of UK regulatory frameworks, along with the English language and a great place to live, and a time zone that complements those of other global centres like Hong Kong and New York.

Exiting the EU will allow the UK to focus even more strongly on competitiveness and innovation, making it the perfect partner for Hong Kong in developing new models and growing new markets – in areas such as FinTech and green finance where we are already talking to the Hong Kong authorities.

So then there's our bilateral trade, and I wanted to say a bit about how we do it here. We have a large Trade and Investment team in the Consulate who work proactively to identify the high value opportunities that exist – by which I mean opportunities worth hundreds of millions of pounds over the next 5 years – where we believe the UK has the capability and capacity to supply the market and where government input can help to secure those export wins.

Our priorities here are in infrastructure, especially in the areas of rail, the development of the third runway at Hong Kong International Airport and global sports facilities; education; healthcare and the creative industries. We also work on promoting some valuable and higher volume sectors of the local economy such as food and drink, retail consumer and luxury goods. We also act reactively enquires and deal with those where we have the requisite expertise – where we don't we look to refer on to sources of help such as the British Chamber, HKTDC and Invest Hong Kong.

Importantly, we work closely with our Department for International Trade colleagues across the China network to make sure we realise the synergies between Hong Kong and China and the wider region.

If I may, I'll say a little bit now about China and the UK's relationship. It feels in better shape now than in many of my years in the FCO. As permanent members of the UN Security Council and through our bilateral cooperation, working together to overcome global challenges like climate change; terrorism and organised crime; where international cooperation is essential in order to address these issues. We want to work with China to support the rules-based international trading system.

Beyond these global shared challenges, the bilateral relationship has expanded and deepened in recent years and China is now the UK's 4th largest trade partner. This strong relationship with China means we are able to have discussions on a range of issues, including market access. We try to do this in a constructive spirit and welcome very much the fact that this constructive spirit is being reciprocated more and more.

On Hong Kong all my discussions with my Chinese interlocutors here have at the core the same thing, that 'One Country, Two Systems' has been a great success and we should work together to ensure that it continues.

I'm not going to pretend that we don't sometimes disagree on how 'One

Country, Two Systems' is being implemented. But I would like to say unequivocally here that any action the UK takes, any statement we might make in public or in private, we do that in support of 'One Country, Two Systems'.

To complete the picture China and Hong Kong together, the two main areas we want to work with China and Hong Kong on is belt and road and also on the internationalisation of the RMB. These are the two priorities where we are looking at in that triangular relationship.

In conclusion, I hope these words have given a sense of the priorities for me and my team over the next twelve months. Just to recap. First, we will work with the new Chief Executive and other key stakeholders to support 'One Country, Two Systems'. It has worked well so far. And in addition try to ensure that the UK's ongoing interest is seen and understood in the spirit it is intended.

Second we will interpret what Brexit means here on the ground to people in the business community and more widely to students and the people of Hong Kong, to communicate the message that the UK remains global, outward facing and open for business. This Britain is still open and will remain open and we want people to understand that.

Third, we will establish an even closer and more targeted approach to an open trading system. We will do that through the bilateral agreements I talked about on transparency and FinTech but also by working together as advocates on open trading and pushing back the tide of protectionism across the world.

And finally, to work tirelessly and creatively to deepen and broaden the very strong trade and investment relationship which already exists between Hong Kong, China and the region.

I am under no illusions that the next 3 and a half years will fly by just as quickly as this first 6 months. I think pausing for breath in Hong Kong doesn't really happen from what I've seen so far. But that is part of the joy of the job and part of the reason that Jane and I already enjoy living here. It is very clear that both the UK and Hong Kong face challenges. It is abundantly clear that the energy, creativity and values that have helped us both overcome challenges in the past will help us meet these challenges in the future.

So, I'm very optimistic about the shared opportunities this will present over the next 3.5 years of my time in Hong Kong, and beyond.

Further information

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