

Speech
Speech by Acting Financial Secretary at Bloomberg Hong Kong 20th
Anniversary Dinner (English only)

Monday, November 18, 2013

Following is the speech by the Acting Financial Secretary, Professor K C Chan, "Positioning Hong Kong in a rapidly changing competitive environment", at the Bloomberg Hong Kong 20th Anniversary Dinner tonight (November 18):

Mr Daniel (Doctoroff), Mr Clifford (Hart), Mr Chris (Collins), distinguished guests, ladies and gentlemen,

Good evening and a warm welcome to you all, especially those of you who have flown all the way to Hong Kong. It is a real pleasure to speak to you today, and to celebrate the foresight of a fine company which decided to set up shop here 20 years ago. It is hard to imagine what business was like then, in light of the changes we have gone through in the past two decades.

Some pointers would help. At the end of 1993 we were recovering from an economic recession in the US. The Hang Seng index stood at 11,888 points, while market capitalisation that year totalled HK\$2,975 billion. More dramatic perhaps, with two years remaining until the handover, there was talk of "the death of Hong Kong". Few would have predicted the growth and changes we were to witness in the years that followed.

The year 1993 also marked a new departure for Hong Kong's capital markets, when the Tsingtao Brewery, the first H-share ever, was listed here. The markets rallied in the run up to 1997, as if to assure the doubtful that life might carry on after the handover. The stock market reached a peak of 16,673 on August 7 that year.

The biggest blow to Hong Kong's market and economy turned out to be the Asian Financial Crisis, when we had interbank interest rates of over 16 per cent (16.57 per cent) and a drawdown of 60 per cent from its peak in August in the stock market. As if we did not have enough problems to deal with, the dotcom bubble burst, followed by the September 11 (9/11) attacks in the States in 2001, and then in Asia we had to deal with the outbreak of Severe Acute Respiratory Syndrome (SARS). The Hang Seng Index tumbled to a low of 8,409 in 2003.

The launch of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) in 2003 and the arrival of offshore RMB markets in Hong Kong in 2004 were signs of economic improvement to come.

Since then, we have benefited from the rapid growth of China's economy, as well as serving the financial and commercial needs of many Chinese companies. It was during these years that China's largest financial institutions and resource companies were listed in Hong Kong. In fact, 24 of the 50 constituents of today's Hang Seng Index were listed between 1993 and 2008, representing 47 per cent of the index's current capitalisation.

Hong Kong was better prepared for the financial crisis of 2008, but it still left battered investors in its wake and ultra-low interest rates that remain in force to this day. Nevertheless, we've had some highly active fund-raising years, ranking first in the world in Foreign Direct Investment (FDI) for the three years ending 2011 and raising a total of US\$123 billion.

Throughout these years Bloomberg Hong Kong has been with us, growing in size from about 30 employees to over 500. Indeed, if the number of employees is a measure of a company's profitability, Bloomberg Hong Kong has hugely outperformed the Hang Seng Index.

Let us go back to 1993. It was a time when the Internet was in its infancy and mobile phones were expensive, but Bloomberg users were already placing trade orders electronically. For those who remember the days when Federal Open Market Committee (FOMC) minutes were not made public, Bloomberg was already streaming real-time market data through its terminals globally, including the outcomes of those all-important Fed meetings. Many of us think of Bloomberg as a financial services company, and rightly so, but its achievements in electronic commerce are no less impressive.

Yet Bloomberg is more than a finance and e-commerce company. It is also a pioneer in the news industry. It was already feeding real-time news to world traders and decision-makers when the news-wire was the prerogative of newspaper editors. The company foresaw the age of today's real-time news websites, a time when anyone with a smartphone can be informed of the latest developments anywhere in the world.

It is with this in mind that I tender my heartfelt congratulations to Bloomberg

Hong Kong. We are impressed by the great work you have done, and for enhancing the free flow of information, which is the lifeblood of the city's efficient financial markets.

I hope we will gather again to celebrate Bloomberg Hong Kong's 30th anniversary in 10 years' time, but for now I'll invite you to join me in envisioning Hong Kong's development over the next decade.

To begin with, let's look at development at the regional level. According to the International Monetary Fund, Asia as a whole is expected to grow at an average annual rate of 6.6 per cent over the next five years. I draw your attention in particular to the area covered by the Association of South East Asian Nations (ASEAN), a rapidly growing region where 600 million live and work, as an important source of future growth. Politically, Asian governments are stronger and more stable than before, and I am hopeful about the prospect of sustainable growth throughout the region.

Located on the Mainland's doorstep, Hong Kong continues to benefit from its economic reforms and opening up. The next decade will be a critical period in China's long journey. We can expect to see decisive steps in the direction of full capital account opening and RMB convertibility. We will also see Chinese investors investing overseas on a much larger scale, along with further integration between China and the rest of Asia.

The anticipated deepening and integration of Asia's financial markets will improve their efficiency and help channel the region's savings to meet investment needs.

We will also see a more prominent voice for Asia in international affairs, a voice more commensurate with its size and its increasing economic power.

Strategically located between China and the ASEAN members, Hong Kong will continue to focus on its role as Asia's international financial centre, and we will respond to these macro trends as required. We will continue to build on our liquid capital markets so that Hong Kong continues to be the region's fund-raising centre. We will also work on increasing the size and importance of our asset management industry, so we can further help the increasingly affluent Asian investors to manage their savings.

On this front, we are bringing in new regulations to facilitate the development of our fund management industry, and we are working very closely with Mainland authorities to study the implementation of mutual recognition and cross-border offering of funds between Hong Kong and the Mainland.

We have always benefited from China's economic reforms, and further liberalisation, such as capital account opening and currency convertibility, will bring new and exciting opportunities. In an increasingly integrated world Hong Kong will face competition from other financial centres. But Hong Kong is used to competition, and we have always thrived on it.

Ladies and gentlemen, the coming 20 years will doubtless be just as exciting as the last 20, and what happens in Asia and China will have a great impact around the globe. And on a personal level, each of us has a part to play in the development of the region. Whether you are reporting the news, watching the news or making the news, it's going to be an exciting time. To everyone here and to Bloomberg, I wish you every success in the years ahead.

Thank you.

Ends