

Speech

Speech by SFST at Bloomberg Businessweek's Forum "The Year Ahead: Hong Kong 2015" (English only)

Wednesday, December 10, 2014

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the Bloomberg Businessweek's Forum "The Year Ahead: Hong Kong 2015" today (December 10):

Ladies and gentlemen,

Good morning.

It's a pleasure to be here, to be part of today's "The Year Ahead" Forum. My thanks to Bloomberg Businessweek for organising this very creative enterprise, and for inviting me to participate this morning. Presumably, they did so because, as an official, I might be able to offer some vision and forecast for the year ahead.

Needless to say, prediction is a dicey business. Especially if it's got to do with the uncertain future. With that in mind, allow me to begin with the past.

I can tell you that this past year has been an eventful one for Hong Kong. And the Hong Kong Government. After a year-long debate, we passed amendments, in February and July, to stamp duties designed to curb rising real-estate prices in our territory.

Our economic growth slowed a bit at the beginning of the year, but regained some momentum in the third quarter to reach 2.7 per cent in real terms. The labour market approached levels of full employment, with unemployment rates stabilised around 3 per cent. That's no small accomplishment in an uncertain global economy that is barely recovering.

Solid and sustained growth on the Mainland is a key factor driving our performance. Indeed, the offshore Renminbi market has been growing rapidly in the past year. At the end of the third quarter, the value of Renminbi trades settled by banks in Hong Kong had already reached 118 per cent of the previous year's total.

As for the focal point of this year, the Shanghai-Hong Kong Stock Connect has to be right up there. A momentous step in cross-border co-operation between Hong Kong and Mainland China.

So let us turn straight to the theme of today's first panel: "Is Hong Kong Just another Coastal City?"

Well, you need look no further than the Christmas lights just outside the windows. Christmas is hugely popular in Hong Kong, celebrated by locals and foreigners alike, with carol singing, family gatherings, turkey - and dim sum - and a lot of serious shopping. No less important, in Hong Kong you get Christmas and Boxing Day off.

What sets Hong Kong apart from other rising coastal cities, however, is more than holiday cheer. In Hong Kong, East meets West is more than a slogan. It's a way of life. Rooted in history, it's alive and thriving today in every sector, every fibre, of Hong Kong.

As a start, English and Chinese are official languages, widely used and accepted in daily life, in business meetings and court proceedings here. Our legal system is based on the common law, with judicial independence guaranteed by the Basic Law.

At the same time, Hong Kong is geographically, culturally and economically connected to the Mainland, the world's second-largest, fastest-growing major economy. The people of Hong Kong, unsurprisingly, are the biggest foreign investors in every Chinese province. It's fair to say that we know the Mainland market better than anyone else.

Like Rome, our East and West links weren't built in a day. Rather, they're the fruit of our free and uninterrupted flow - of people, goods, capital and information. And that's been a dependable reality from the day Hong Kong was declared a free port, more than 170 years ago. Thanks to the free flow of goods, Hong Kong is today the world's eighth-largest trading economy. A heavyweight trader in a bantamweight space.

As for the free flow of capital it has helped us become one of the world's

leading financial centres, third behind only New York and London in the latest Global Financial Centres Index.

News and information have always flowed freely in and out of Hong Kong, home to some of the earliest newspapers in China. Today, we are a regional media centre, with the likes of, well, Bloomberg, not to mention Time Warner, CNN, the International New York Times and the Wall Street Journal, all choosing Hong Kong as their regional centre. Joining them are some 30 local news agencies, including daily newspapers and electronic media. And we have perhaps the highest number of news agencies per capita anywhere in the world.

Even in the age of the Internet, our prime location is not to be dismissed. We are, after all, strategically located at the doorstep of Mainland China and the ASEAN region. Half the world's population can be reached within five hours' flight time of Hong Kong. Every day, some 800 flights connect Hong Kong with the rest of the world.

At the southern tip of the Mainland, we are ideally located to do business with emerging ASEAN countries, home to some 600 million people, a young and ambitious workforce and a rapidly growing middle class. Last year, ASEAN was our second-largest trading partner, with bilateral trade growing at 10 per cent a year between 2009 and 2013. And we are now negotiating a Free Trade Agreement with ASEAN, which will only enhance trade and investment between us.

To conclude, Hong Kong is a conveniently located city on the China coast, and took on the role as China's premier gateway naturally and successfully. We have been growing on the back of expanding global trade and financial activities. However, the question that begs an answer is - do we still need a trading port, a gateway, a middleman in the digital age?

My answer would be a big yes. Today, we may be less in need of an exclusive sea port on the China coast to access China - there are many rising coastal cities. At the same time, in the global village, we are no less, if not more, in demand of a trading port for information, ideas and knowledge, especially between cultures and societies.

Thanks to our institutions, legal framework and openness, Hong Kong is today bridging East and West as a financial centre, dispute resolution centre, education centre, and more.

Perhaps Hong Kong's most critical advantage, one that is sometimes overlooked, is our commitment to economic freedom. Hong Kong is arguably the most liberal city in Asia, and certainly the freest economy in the world.

We also guarantee a level playing field for all companies, large or small, local or international. We are faithful to the nationality-neutral principle. Foreign firms, like their local counterparts, are treated equally and enjoy the same privileges under all bilateral trade agreements we enter into. That includes CEPA, our unique free-trade agreement with the Mainland. CEPA offers preferential treatment for Hong Kong companies accessing a wide array of service sectors across China.

It should come then as no surprise that some 7,500 overseas and Mainland Chinese companies have a presence in Hong Kong. More than half of them, by the way, are regional headquarters or regional offices.

Hong Kong's unique strengths as a free, open, well-connected and regulated economy, are visible in the role we play in the offshore Renminbi market. From personal banking services and bond issuances to trade settlement and financing, as well as the marketing of innovative investment products, Hong Kong is central to the Renminbi's development as an international trade and investment currency.

And, as I mentioned at the outset, the Shanghai-Hong Kong Stock Connect is another showcase of Hong Kong's unique mix of financial and institutional strengths. Making use of Hong Kong's legal framework and connectivity, Stock Connect allows the Mainland to open its capital market directly to global investors. Mainland investors are also able to gain exposure to offshore markets by investing in stocks listed in Hong Kong. In short, we connect China to the world.

Ladies and gentlemen, as you can see, Hong Kong is one of a kind. Making the best of our heritage and our "One Country, Two Systems" design, Hong Kong gets to enjoy the best of both worlds. As China continues to open

and reform, it will continue to take advantage of what Hong Kong has to offer. In short, Hong Kong is not just another coastal city.

As for the future, I predict you'll hear a lot more about it before this day is over.

Thank you and enjoy it.

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