

**Opening Remarks at Business Seminar
“Hong Kong: Seize Now Your Opportunities
for Business in China and Beyond”**

**co-organised by HKETO(Sing) and THTA
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Your Excellencies (Ambassador Ay, Ambassador Guan, Representative Diao and Counsellor Xuan), Distinguished Guests, Ladies & Gentlemen,

Good Morning! A warm welcome to you all to our business seminar today.

This seminar is about Thailand and Hong Kong, our two economies that have long enjoyed excellent economic relations. I would not be exaggerating to say that most Hong Kong people have daily contact with something produced in Thailand, your rice and fruits in particular and increasingly your manufactured goods as well. Thus it is no surprise that we are each other's major trading partners. To be exact, Hong Kong was Thailand's 6th largest trading partner in 2007, while Thailand was Hong Kong's No. 10 in 2008. Trade between our two economies grew on an average of 13% from 2004 to 2008. While this trend of growth suffered a setback in the first half of 2009 due to the global economic downturn, we are confident that our bilateral trade would expand again as economies in Asia and around the world find their ways to recovery.

Indeed, we are already seeing some encouraging signs of recovery in our part of the world. In Hong Kong, after four quarters of contraction, our economy resumed growth at 3.3% in the second quarter of this year as compared to the previous quarter. Our unemployment rate has also stabilized since June. This is partly a result of the various stimulus and relief measures introduced by the Hong Kong Special Administrative Region Government over the past 18 months. The package costs more than HK\$87 billion (or US\$11 billion), which is equivalent to about 5.2% of our GDP. In addition, our government has set aside more than HK\$100 billion (or US\$13 billion) to provide loan guarantees to our enterprises, particularly the small and medium-sized ones. Such loan guarantees have helped 10,000 enterprises hit by the credit crunch stay afloat and in turn preserved more than 240,000 jobs for the people of Hong Kong.

Another major factor contributing to the rebound of the Hong Kong economy is clearly the resilience of our closest economic partner, i.e. the Mainland of China. Despite the sharp decline in global trade, the Mainland of China continued to grow at 6.1% year-on-year in the first quarter of 2009 and 7.9% in the second quarter. The third quarter figure released just last Thursday went further up to 8.9%. While those are among the slowest growth rates that the Mainland has seen in a decade, the buoyancy of its economy in the midst of a worldwide recession is impressive. Its 4 trillion Renminbi (RMB) (or US\$586 billion) stimulus package has clearly helped to boost domestic demand and revive investment. And Hong Kong, being the Mainland's largest foreign investor and its third largest trading partner, stands to benefit.

You may find it a bit strange when I refer to Hong Kong as a foreign investor and a trading partner of the Mainland of China. Be not mistaken that Hong Kong is very much part of China. Yet under the 'One Country, Two Systems' principle, Hong Kong has been given a high degree of autonomy in economic, trade, financial and monetary matters as a Special Administrative Region of the country since 1997. Hong Kong maintains its status as a free market economy, a free port, a separate customs territory and a common law jurisdiction. We are also a separate member of the WTO and APEC. That is why investment sourced from Hong Kong is considered foreign direct investment on the Mainland, and the cumulative value of such investment amounted to about US\$350 billion or 40% of the national total at the end of 2008. There are about 100,000 Hong Kong-invested enterprises operating in the Guangdong Province alone, engaging more than 9 million employees there. While early investments primarily went into outward processing arrangements, Hong Kong entrepreneurs have over the years ventured into other sectors on the Mainland, including hotel and tourism-related services, real estate and infrastructure development, retail trade, and business and communications services.

However, investments do not only go in one direction. The Mainland is now in turn Hong Kong's largest source of inward direct investment. The cumulative value of Mainland investment in Hong Kong reached US\$479 billion at the end of 2007, accounting for 41% of Hong Kong's total stock. Today, there are 750 Mainland-invested enterprises in Hong Kong. Among the 1,270 some companies listed on the Hong Kong's stock exchange, about one-third are from the Mainland.

The importance of our economic integration with the Mainland of China, fostered over the past 30 years since the opening up of the Mainland economy, cannot be understated. And we are constantly seeking new ways to intensify this integration process. In 2003, being two separate WTO members, the Mainland and Hong Kong entered into a free trade agreement called “The Mainland and Hong Kong Closer Economic Partnership Arrangement” (or CEPA in short). Under this agreement, the goods and services of Hong Kong enterprises enjoy favourable access to the Mainland market. By Hong Kong enterprises, we mean any enterprises registered and operating in Hong Kong, regardless of their source of investment or country of origin. In a moment, my colleague, Mr. LAW Kin-wai, will explain in detail how this free trade agreement has given a further boost to the trade and investment flow between Hong Kong and the Mainland, and how Thailand-invested enterprises in Hong Kong could also benefit from its provisions to secure better access to the Mainland market.

CEPA obviously adds to the attractiveness of Hong Kong as an international business hub, particularly for foreign enterprises that are considering an entrance into the Mainland market. But it is not the only reason why over 5,600 foreign enterprises have chosen to establish a presence in Hong Kong. For most of these enterprises, the traditional strengths of Hong Kong are still the key determining factors of their choice. Our simple tax system and low tax rate, free flow of information, absence of exchange control, corruption-free government, superb infrastructure, rule of law and independent judiciary, political stability and security top the list of favourable considerations that first draw these foreign enterprises to and then convince them to stay in Hong Kong.

For Thai business people, you enjoy the extra benefits afforded by the agreement for the avoidance of double taxation signed between the Thailand and Hong Kong governments in 2005. Later in this seminar, Mr. Paul STITT from the PricewaterhouseCoopers will explain how this agreement could help to reduce your tax burden and expand on the other advantages of investing in Hong Kong or in the Mainland through Hong Kong.

Going back to our economic integration with the Mainland, another area where we have achieved significant progress is in financial services. There is increasing cooperation between the stock exchange of Hong Kong and those of Shenzhen and Shanghai. Banks in Hong Kong have also started

offering a variety of RMB services since 2004, and we became the only place outside the Mainland to have a RMB bond market in 2007.

In April this year, the Central Government in Beijing announced a pilot scheme to allow the use of RMB in the settlement of trade between the Mainland cities of Shanghai, Shenzhen, Guangzhou, Zhuhai and Dongguan and the two Special Administrative Regions of Hong Kong and Macau. This pilot arrangement, which came into force in July, also covers the trade of Yunnan and Guangxi with ASEAN economies. In the second session of this business seminar, Mr. Nick LEVITT from The Hongkong and Shanghai Corporation Ltd. will tell us how the pilot scheme could help Thai enterprises trading with the Mainland manage currency risks and reduce trade settlement costs, and what services banks in Hong Kong could offer to help its clients take advantage of this arrangement.

To support our further integration with the Mainland in the future, Hong Kong is also building new physical links to the rest of the country. Major cross-boundary infrastructure projects underway include the Guangzhou-Shenzhen-Hong Kong Express Rail Link, which when completed in 2015, will shorten the travelling time between Hong Kong and Shenzhen to 14 minutes and that between Hong Kong and Guangzhou to 48 minutes. It will also connect Hong Kong up to the country's high-speed railway network, which will allow us to provide through-train service to another 16 major cities on the Mainland. Another mega project, the Hong Kong-Zhuhai-Macao Bridge, is targeted for completion in 2016. It will improve the efficiency of the movement of goods and people between Hong Kong and the western part of the Pearl River Delta, cutting the travelling time from Hong Kong to Zhuhai to about 40 minutes.

All the above-mentioned developments (e.g. CEPA, the development of RMB services and new transport links) will not only create new opportunities for the four pillar industries of Hong Kong, namely financial services, trading and logistics, tourism and professional services. They would also open new doors for other industries in Hong Kong that have good potential for growth.

In his latest policy address delivered two weeks ago, our Chief Executive set out a range of measures to further strengthen our four pillar industries and promote the development of six other industries identified as our new engines for economic growth. These six industries are medical

services; education services; cultural and creative industries; environmental industry; testing and certification; and innovation and technology. Our strategy is to remove barriers hindering the development of these industries, and help them tap into new markets on the Mainland and in the rest of Asia. For instance, our government will make available more land, one of the most precious and costly resources in Hong Kong, for the building of new private hospitals and educational institutions. We will also encourage the redevelopment or conversion of old industrial buildings to accommodate new business activities.

Some of these six industries, such as medical services and the cultural and creative industries, are also flourishing in Thailand. Relevant enterprises ought to keep a close watch on new opportunities arising in Hong Kong for their business. And should you require any further information or assistance about doing business in Hong Kong, you are welcome to approach me and my colleagues at the Hong Kong Economic and Trade Office in Singapore, which represents the Hong Kong Special Administrative Region Government in the ASEAN region, or InvestHK, the government agency specialized in helping foreign enterprises set up in Hong Kong. Another helpful organization with an office located right here in Bangkok is the Hong Kong Trade Development Council. Ms Loretta Wan, its Regional Director for Southeast Asia and India, will introduce the many useful services that her Council could offer to you in the last presentation of this morning. So be sure to stay till the end.

Thank you once again for taking your time to join us this morning. It is our sincere wish that your work and your business will benefit from your participation in this seminar.