

**Speech by D(SG) at
The HKETO Gathering**

Date: 14 December 2018 (Friday)
Venue: Clifford Pier at the Fullerton Bay Hotel

- Distinguished guests, ladies and gentlemen, good evening. Thank you all for coming to this gathering at this beautiful historical landmark.

- The end of a year is always a good time to look back at what we have done, and to look forward and see how we can improve. I would like to take the chance to share with you some major developments in Hong Kong, and give a quick review of our office's work over the past year.

Economic situation

- 2018 has been a good year for Hong Kong. To illustrate, here are some figures. Our economy remains strong. Our **real GDP growth** in the third quarter this year is 2.9 per cent. This marks the eighth consecutive quarter of growth above the trend growth rate of 2.7 per cent per annum in the past decade. Our full-year GDP for 2018 is forecast to be 3.2 per cent. Even more good news: our booming initial public offering (**IPO**) market has raised a total of 261 billion Hong Kong dollars in the past eleven months of the year, and we are on track to top the global market in 2018; the **number of business operations** in Hong Kong with parent companies overseas and in Mainland China climbed to 8 754 in 2018, a 6.4% increase from last year – these companies are from various countries such as Singapore, Japan, UK and US. Also, both **direct investment** liabilities and assets at end-2017 in Hong Kong recorded a double-digit growth as compared to the previous

year, which manifests Hong Kong's status as an international financial centre and a premier business hub.

- With all these achievements, how are we ranked internationally? For the 24th straight year, we are ranked the world's freest economy by the **Heritage Foundation**, a prominent think tank in the US. Our financial services are ranked third in the world by the **Global Financial Centres Index**. We are closing the gap on New York and London, which took the top and second place respectively this year. And just two days ago, the **International Monetary Fund (IMF)** Staff Mission has commended Hong Kong in its latest assessment, noting that many years of prudent macroeconomic policies have endowed the city with strong buffers to navigate through challenges and ensure continued stability despite increasing risks confronting global growth.
- In terms of competitiveness, on one hand, Hong Kong gets the second place on Institute for Management Development (IMD) Business School's World Competitiveness Ranking, after the US. On the other hand, in another international ranking, the Global Competitiveness Index of the World Economic Forum, based on another set of criteria, Hong Kong was ranked 7th. It tells us that we have to continue to proactively enhance our competitiveness. On top of safeguarding Hong Kong's prevailing competitive edges, the Government will continue to play the roles of "facilitator" and "promoter", and give full play to "Government-to-Government" functions through establishing bilateral and multilateral ties, so as to boost innovation and technology development, explore new markets and seize new growth opportunities for Hong Kong.

Trade War

- Despite all these good results, we have to remain vigilant in 2019. Global economic conditions are full of uncertainties. International trading environment is unstable. There is a tendency of rising tide of protectionism and unilateralism. And of course the whole world is watching closely the **US-China trade conflict**. Some of you may be concerned about its impact on Hong Kong's economy. Just a week ago, the two sides agreed on a 90-day truce to allow for further talks. In short run, this should be good news for business people; it would also help ease pressure on Hong Kong's export volumes in the current quarter and the next. We shall keep a close eye on whether the disputes can be settled within the 90-day trade truce. And for the long run, we have to prepare for this battle to be played long, and shall not underestimate its impact on our business environment, given that US and China are the largest economies and are closest trading partners with each other. We have stepped up measures to enhance the competitiveness of our economy, including tax relief, investment in innovation, measures to help upgrade and brand the small and medium enterprises (SMEs), and exploring new markets along the Belt and Road, including the ASEAN region. At the same time, we will pursue the development of a diversified economy in areas such as innovation and technology, transportation and logistics, financial technologies, creative industries, etc in order to enhance our capabilities in withstanding external shocks.

Major Developments in Hong Kong

- To help Hong Kong to move forward, it is important for us to develop both physical connectivity as well as financial, legal, scientific research and creative links, and people-to-people connectivity. That is why last month the

Hong Kong Government has launched a new promotion programme “Connect and Excel”. It defines how Hong Kong’s high degree of connectivity, globally and with the Mainland of China, helps propel people and businesses to excellence in their chosen fields. Benefiting from the “one country, two systems” principle, Hong Kong is well-established as a business and financial hub in Asia connecting people to unique opportunities in Mainland China and around the world. With the rule of law, a tried and trusted common law system and an independent judiciary as well as robust protection of intellectual property, Hong Kong is a safe place to work, live and raise a family.

- Talking about physical connectivity, I must mention two major infrastructure projects that were recently completed.
- First, the **Hong Kong-Zhuhai-Macao Bridge**. Next time when you fly to Hong Kong, during landing don’t forget to look out of the window – I am sure this bridge will catch your eyes. Opened in October this year by President Xi Jinping, it is the world’s longest sea-crossing bridge (55km) that conveniently connects Hong Kong to cities on the west bank of the Pearl River Delta.
- Another major cross-boundary transport infrastructure, the Hong Kong section of the **Guangzhou-Shenzhen-Hong Kong Express Rail Link**, is operating as well since September this year. This 26-km long underground rail line connects Hong Kong to the over 25,000-kilometre high-speed train network in Mainland China.

- These two mega projects are expected to create growth opportunities for various industries, in particular tourism, trade, logistics, and financial and professional services, and will certainly help Hong Kong to support and also benefit from our national initiatives. One of them is the **Guangdong-Hong Kong-Macao Greater Bay Area development** which is rapidly taking shape. This area covers some 56,000 square kilometres with a combined population of about 70 million - larger than that of the Tokyo and San Francisco Bay Areas combined. Covering nine major cities in Guangdong Province, plus Hong Kong and Macao, the Greater Bay Area generates an aggregate GDP of around US\$1.5 trillion, which is slightly larger than that of Australia and is comparable to Korea. And it is the most affluent region in Mainland China. It is right on our doorstep, now brought even closer by the Hong Kong-Zhuhai-Macao Bridge and the high-speed rail link. The Greater Bay Area will offer tremendous opportunities for Hong Kong businesses and their partners. On this point, I would like to share with you one latest update. Just this morning, the HKSAR Government signed an Agreement on Trade in Goods with the Ministry of Commerce of China. Under the Agreement, starting from 1 January 2019, all goods of Hong Kong origin imported into Mainland China can enjoy zero tariff; and there will be trade facilitation measures to implement more convenient customs clearance at the control points in the Greater Bay Area. The Agreement helps reduce trade costs and makes it easier for Hong Kong products to access the Mainland market. And since this Agreement is made under Closer Economic Partnership Arrangement (CEPA) between Hong Kong and Mainland, foreign manufacturers can simply partner with, or outsource to Hong Kong manufacturers to enjoy the benefits, and their companies do not have to be in Hong Kong.

- Besides connecting with Mainland China, we will also step up our presence in the international arena. We are **expanding the network of our ETOs**. Very soon a new ETO will be set up in Bangkok and it is expected to commence operation early next year. Together with the ASEAN-Hong Kong Free Trade Agreement, which is expected to come into force in early 2019, we will see a much closer relationship with the ASEAN member states. In the meantime, discussions with the Government of the United Arab Emirates on a new ETO in Dubai are progressing well, and we expect to have the ETO set up soon - our first ETO in the Middle East. In parallel, we are also discussing with the respective governments the establishment of ETOs in India, Korea and Russia. These new offices will help consolidate and enhance the status of Hong Kong in the international trade market, as well as to explore new business opportunities.

ETO's work

- Moving on to what we have been doing in the ASEAN region - as I have mentioned just now, a **new ETO** will be set up in Bangkok. It will be Hong Kong's third ETO in ASEAN after Singapore and Indonesia. My office and our colleagues in Hong Kong have been working at full steam towards the target of opening the new ETO in early 2019. I certainly hope I could share the good news on its opening the next time we meet.
- We also maintain good exchanges with the ASEAN countries. We have organised **visits by our senior officials**, including our Chief Executive, Carrie Lam's visit to Bangkok in May to attend and speak at the Ministerial Segment of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). We also organised the visit of our Financial Secretary, Paul Chan's to Ho Chi Minh City to attend the "In Style·Hong

Kong” event staged by the Hong Kong Trade Development Council (HKTDC). The event has been very successful in showcasing Hong Kong’s competitiveness as an international business centre and a city of trendy lifestyle.

- **Cultural exchanges** are always our focus as well. We sponsored visiting performance groups from Hong Kong to promote our vibrant art and cultural scene. These performances include a musical staged by the Spring-Time Experimental Theatre in Singapore in April, and a full-house concert in Esplanade presented by the Hong Kong Chinese Orchestra in Singapore in September – thanks for the very positive comments from some of you on these events. During the visits of these performing groups to Singapore, they also met with local art students to share their experience. And of course the HKETO gatherings like the one this evening with our friends and the Hong Kong community is always our favourite activity throughout the year to maintain our connection. I can assure you that next year we will continue to bring more exciting cultural performances from Hong Kong to Singapore.
- We have also continued the **ASEAN Internship Scheme for Hong Kong Higher Education Students** to enhance exchanges between Hong Kong and ASEAN countries, and offer our young people the opportunities to widen their horizon and experience the life in the ASEAN region. Over 720 higher education students have participated in the scheme since it was launched in 2014. I would like to express my thanks to those who have offered internship places for our students in the past, and I hope that you will continue, or start participating in the next round of this meaningful initiative in 2019.

- In the coming years, we will, together with the Jakarta ETO and the future Bangkok ETO, continue to enhance Hong Kong's presence in ASEAN, and support the work relating to the implementation of the Hong Kong-ASEAN FTA. We will continue to count on the support of all of you.
- Before closing, I would like to show you one of the videos produced for our new "Connect and Excel" campaign that I mentioned a while ago. It showcases our enhanced connectivity with the latest infrastructure projects. If you do not have a chance to go to Hong Kong soon, you can have a "sneak peek" of the Hong Kong-Zhuhai-Macao Bridge in the video, as well as other major projects including the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Three Runway System, the Heung Yuen Wai Boundary Control Point and the Kai Tak Cruise Terminal.
- In the year end, there is nothing better than the opportunity to express to you season's greetings and good wishes. May I now propose a toast. Wish all of you a joyful holiday and happy New Year. Thank you.