

Speech by FS at Hong Kong-Japan and Japan-Hong Kong Business Co-operation Committees 38th Plenary Session (English only)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Hong Kong-Japan and Japan-Hong Kong Business Co-operation Committees 38th Plenary Session today (March 5):

Ambassador Wada (Ambassador and Consul-General of the Consulate-General of Japan in Hong Kong, Mr Mitsuhiro Wada), Victor (Chairman of the Hong Kong-Japan Business Co-operation Committee, Mr Victor Cha), Acting Chairman Futae (Acting Chairman of the Japan-Hong Kong Business Co-operation Committee, Mr Takayoshi Futae), Margaret (Executive Director of the Hong Kong Trade Development Council, Ms Margaret Fong), distinguished guests, ladies and gentlemen,

Good afternoon.

I am delighted to join you today for the 38th Plenary Session of the Hong Kong-Japan and Japan-Hong Kong Business Co-operation Committees and my congratulations to you on your joint 40th anniversary.

Since 1979, your two Committees have played a pivotal role in encouraging dialogue and understanding between the business communities of Hong Kong and Japan, and in doing so, boosting bilateral ties between our two economies, our two peoples.

Those ties, I'm pleased to say, are flourishing. Japan has been one of our most important trading partners for decades. Last year, Japan was our fourth-largest trading partner in goods, with total merchandise trade hitting 50 billion US dollars.

In turn, Hong Kong was Japan's eighth-largest merchandise trading partner and fifth-largest export market in 2017. Specifically on food and agricultural products, we have been Japan's largest export market for 13 consecutive years. In 2017, we accounted for about one-fourth of your total food and agricultural export.

We like to invest in each other's businesses too. At the end of 2017, Japan was Hong Kong's ninth-largest source of inward direct investment, with a stock in excess of 32 billion US dollars. Over the same period, Hong Kong's investment stock in Japan totaled 8.7 billion US dollars, making Hong Kong Japan's 14th largest source of inward direct investment.

Our longstanding and long-rewarding economic partnership is rooted in a

shared world view. We are global traders. Our governments, businesses and peoples welcome multilateral trade. Indeed, Japan was the world's fourth-largest trading entity in 2017, while Hong Kong ranked seventh overall.

With no surprise, Hong Kong has long championed free enterprise. Indeed, earlier this year, the Washington-based Heritage Foundation named Hong Kong the world's freest economy, for the 25th year in a row.

Vancouver's Fraser Institute also ranked Hong Kong at the very top of its 2018 "Economic Freedom of the World" report.

Alongside our free market economy, we place a premium on the free flow of capital, talent and information. Our logistics and communications infrastructure is world class. Our tax system is low and simple, our judiciary is independent and buttressed by the rule of law and a robust intellectual property regime.

With regard to the situation of rule of law in Hong Kong, I would like to share with you the findings of a few objective studies by international organisations. In the Global Competitiveness Reports of the World Economic Forum, Hong Kong's judicial independence ranked first in Asia for the past three years. According to the Worldwide Governance Indicators Project of the World Bank, which provides trends over longer periods rather than year on year fluctuations only, Hong Kong's percentile ranking in rule of law has improved from 69.9 per cent in 1996 to 93.3 per cent in 2016 over 20 years, or a leap from a top 70 place to a top 15 place. These statistics suggest an upward trend, but we shall not be complacent and shall continue to strive to do better.

Add it up giving us a winning formula for attracting global business and investment. The number of overseas and Mainland companies with offices in Hong Kong now exceeds 8 700, up 6.4 per cent over the previous year.

That growth is even more prominent in the number of regional headquarters, which now counts 1 530, up 8.3 per cent year-on-year.

Japanese companies, let me add, lead the way. With nearly 1 400 businesses based here, Japan is our largest overseas source of companies.

And I'm confident those numbers will grow. The prospects for collaboration in innovation and technology are particularly promising. Hong Kong is now home to more than 2 600 start-ups, up 18 per cent over 2017. And the Hong Kong SAR Government is determined to transform Hong Kong into a major hub for innovation and technology.

Last Wednesday, I announced my Budget Speech for the coming financial year. I pledged more than 5 billion US dollars for innovation and technology (I&T), R&D and university grants related to technology development. And that's not the half of it. Nearly 15 billion US dollars has been channeled into I&T initiatives since the beginning of this current-term Government in July 2017.

Japan, of course, is a global leader in innovation and technology. Which was why, in her visit to Japan, late last year, the Chief Executive devoted a big part of her trip to science and technology.

During the Chief Executive's trip and my last official visit to Japan in 2017, we both visited some renowned research institutions and technology companies in Japan, to learn more about advanced Japanese technology.

Our interest reflects Hong Kong's determination to become an innovation and technology hub, and the promise of a new era in collaboration between Hong Kong and Japan, especially in innovation and technology.

Innovation and technology will also play a critical role in the Guangdong-Hong Kong-Macao Greater Bay Area's development. As you may be aware, the Bay Area's Outline Development Plan was announced last month. The Bay Area covers China's most affluent region, including Hong Kong, Macao and nine cities in Guangdong Province.

Each of these cities will bring unique strengths and capabilities to the Bay Area, whose collective population is close to 70 million. Hong Kong's status as an international financial, transport and trade centre, as well as an international aviation hub will enable us to play a critical role in the Bay Area's long-term development as an advanced, highly internationalised economic powerhouse.

The Bay Area will also help power Hong Kong's rise as the Asia-Pacific region's centre for international legal and dispute-resolution services. In that regard, I'm pleased to note that, in January, our Department of Justice and Japan's Ministry of Justice signed an MOU to strengthen our collaboration on issues related to international arbitration and mediation.

There's a great deal more to the Bay Area, and this morning's first Session will put a spotlight on some of those opportunities. Let me add that a symposium on the Greater Bay Area will be held on April 9 in Tokyo. It's jointly organised by the Governments of Guangdong Province, Hong Kong and Macao and will feature high-profile speakers from throughout the Greater Bay Area and Japan, including the Chief Executive and the Governor of the Guangdong Province. The symposium is a valuable opportunity to learn more about this extraordinarily promising development. And I encourage you to attend.

The Mainland's far-reaching Belt and Road initiative also brings tremendous business opportunities for Hong Kong. Predicated on connectivity, on wide-ranging international cooperation, the Belt and Road will expand Hong Kong's opportunities in everything from infrastructure financing, professional services, insurance as well as risk management services.

People-to-people bonds and business-to-business ties are central to the success of this continuing bilateral forum – and to Hong Kong-Japanese relations, in business and much else.

In that regard, just a reminder that our investment promotion agency – Invest Hong Kong, its Investment Promotion Unit based in our Economic and Trade Office in Tokyo, and its Osaka-based consultant, are eager to connect with Japanese companies, eager to help them excel, here in Hong Kong, in the Mainland and throughout Asia.

Ladies and gentlemen, there is much to celebrate, much to look forward to, in relations between Hong Kong and Japan.

My thanks to the Hong Kong Trade Development Council for its continuing commitment to this important bilateral partnership.

I wish you all the best of business at today's plenary session and good health, happiness and prosperity in the coming year.

Thank you.