

Speech by FS at Opening Ceremony of 2024 Second Asia-Pacific Economic Cooperation Business Advisory Council Meeting (English only) (with photos)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Opening Ceremony of the 2024 Second Asia-Pacific Economic Cooperation Business Advisory Council Meeting today (April 23):

Julia (Chair of the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council 2024, Mrs Julia Torreblanca), Ambassador Carlos Vasquez (Chair of the APEC Senior Officials' Meetings 2024), distinguished members of the APEC Business Advisory Council, ladies and gentlemen,

Good morning and a very warm welcome to Hong Kong!

I have great pleasure to meet you all at the second meeting of the APEC Business Advisory Council (ABAC) this year. This remarkable event gathers nearly 200 business leaders, representing the voice of all 21 APEC member economies.

First, let me express my sincere gratitude to the representatives of ABAC Peru and ABAC Hong Kong, China for working together to stage this prestigious business event here in Asia's world city, after a hiatus of nine years. For long, APEC and ABAC have been the powerhouse in spearheading efforts in the region to promote free trade and economic co-operation, and we are proud to be a part of it.

Welcome to Hong Kong

Amid the uneven pace of recovery across regions, the global economic environment remains complicated. Sharply tightened financial conditions over the past two years continue to hinder the growth of advanced economies. Although the market has generally expected interest rate cuts by major central banks, their timing, pace and scale remain unclear. Intensifying geopolitical tensions and conflicts continue to impact on international trade and capital flows, and cause disruption to global supply chains.

Here in Hong Kong, our economy grew by 3.2 per cent last year, led by a strong rebound in inbound tourism after the pandemic. Visitor numbers reached 34 million, which was slightly above 50 per cent of pre-pandemic levels. This year, we are expecting some 50 million tourists. Private consumption and overall investment also improved. But high interest rate environment and geo-economic fragmentation had dampened our merchandise exports. Inflation remained at a low level of 1.7 per cent, while unemployment rate was just around 3 per cent.

Hong Kong remains a magnet for global business, investments and talent. In our survey last year, there were over 9 000 companies in Hong Kong with parent companies outside of the city, similar to the pre-pandemic levels. Since the establishment of the Office for Attracting Strategic Enterprises in December 2022, we have attracted nearly 50 such companies to expand their business here. In the coming years, they will invest more than US\$5 billion, creating over 13 000 jobs. Separately, Invest Hong Kong has also attracted more than 380 other companies, which together would invest another US\$7 billion to US\$8 billion.

For talent, we have approved around 160 000 applications under the various talent admission schemes since December 2022, and over 110 000 of them have already arrived in Hong Kong.

For the asset market, residential property prices dropped by nearly 7 per cent last year, while the stock market fell by around 14 per cent last year, both with reduced trading volume. High interest rate environment, geopolitical tensions and its impact on capital flow, and investment sentiment were at play.

Looking ahead, under a complex external environment, the Hong Kong economy is expected to grow by 2.5 per cent to 3.5 per cent in 2024, on account of improvement in merchandise exports, continued recovery of inbound tourism, and inflow of strategic enterprises and talent.

In a nutshell, our economy is solid and growing. With a comprehensive set of legislation to safeguard national security in place, the business community here has commonly expressed that Hong Kong will offer a safer and more stable business environment for businesses to thrive.

As an international financial, trade and shipping centre, Hong Kong will advance our role as the region's "super connector" and "super value-adder", by capitalising on our unparalleled advantages of connecting the Mainland with the rest of the world. Under the "one country, two systems" principle, we enjoy convenient and sometimes priority access to the Mainland's market, while continuing to maintain all the advantages that have made us a unique international city: the rule of law; free flow of capital, goods, information and talent; freely convertible currency pegged to the US dollar, seamless alignment with the best international standards; simple and low tax regime, and more. It is our nation's solemn commitment to maintain the "one country, two systems" principle in Hong Kong for the long run.

Our future development will rest with seizing opportunities brought by two mega trends: green development and digital economy. We will also fully leverage the staunch support of our country, China, and focus on the "eight centres" development direction laid out in the National 14th Five-Year Plan: financial services, innovation and technology, trade, aviation, shipping, legal services and dispute resolution, intellectual property trading, and international cultural exchange.

Forging closer regional collaboration for a better future

Ladies and gentlemen, as a member of APEC, Hong Kong, China is a proud contributor to the region's economic development. We are committed to communicating and co-operating with other member economies to advance the APEC and ABAC agenda, for the benefits of the businesses and people in the region.

We are living in a world that has a high degree of interconnectedness and interdependence. But it is also filled with uncertainties that may disrupt or even threaten global economic prosperity. With the privilege of engaging in conversation with you all, allow me to highlight a few areas that we should work together.

First, let's work together to promote international free trade, and overcome roadblocks to the supply chain and logistics network. Over the past few decades, the power of free trade and competition has unleashed immense productivity worldwide, driving economic growth and raising the incomes and living standards of billions of people. Today, protectionism and unilateralism, and all the talks and actions of "de-risking", "on-shoring", "near-shoring", and "friend-shoring", are threatening the world's economic growth and progress. As a founding member of the World Trade Organization, Hong Kong, China is a steadfast supporter of free trade and a rules-based multilateral trading system. In this regard, Hong Kong is willing to enter into more free trade agreements and investment promotion and protection agreements with various economies in the world.

Second, let's work together to promote regional green transition and transformation. The challenges of climate change are pressing and on everyone's agenda. Last year was the hottest year on record by a clear margin. No country, no politician should say that we shouldn't be worried about climate change. To combat climate change, the amount of investment required for green transformation is huge, measured in trillions of US dollars. We are Asia's leader in green and transition finance, with the volume of green and sustainable bonds accounting for more than one-third of Asia's total. We also lead in green finance product innovation such as tokenised green bond. Working with sister cities in the Greater Bay Area, our green tech ecosystem is also thriving. We warmly welcome public and private partners in the region and beyond to access green and transition capital and technologies through Hong Kong.

Third, let's work together to drive the growth of the digital economy. Digital development, particularly artificial intelligence, is rapidly changing the models of industrial production, urban management, lifestyles, and much more. Here in Hong Kong, we are making significant strides to drive the digital economy, one important initiative of which is facilitating the orderly flow of data within the Greater Bay Area – of course with proper personal data protection. In other words, Hong Kong will be converging data from the Mainland and the world, enabling us to be an international hub for research and development in artificial intelligence and biomedicine.

On digital finance, Hong Kong is a leader, too. For example, Phase 1 of Project mBridge, a settlement mechanism of Central Bank Digital Currencies, or CBDCs, will be launched this year. It will be one of the first projects in

the world to settle cross boundary business transactions using CBDCs.

Concluding remarks

Ladies and gentlemen, before I close, I would like to invite you to take this opportunity to enjoy this city – Hong Kong continues to be an open, vibrant and safe metropolis full of vitality and vigour. I look forward to our continued collaboration in the years ahead as we work together to build an open, dynamic, resilient and peaceful Asia-Pacific community.

Now, for all the charisma of this city, may I invite you to watch a video that tells all.

