

## **Why does Hong Kong still matter to the UK?**

Dear Mark, my Lords, ladies and gentlemen,

Good afternoon.

I am privileged to be here in this historic and iconic building to suggest why Hong Kong is important to the UK, and to discuss the special relationship that links us.

You might ask why you should still be interested in Hong Kong – isn't it just another big city in China these days?

The answer is, well, yes...but.

Yes, we are Chinese and proud of it. Yes, we are a city in China – a Special Administrative Region in fact. But under the 'One country, two systems' principle, we are so much more, and it is our long-standing historical links and special relationship with the UK that make us so much more.

### **Special relationship**

You might ask: what special relationship? Is there a special relationship between the UK and Hong Kong?

The answer is a very clear yes.

And it is not a trivial thing – it exists not just because Prime Minister David Cameron did an internship with Jardines Matheson in Hong Kong before going to Oxford. Though that helps.

It exists not just because there are significant and ever growing Hong Kong direct investments in major British sectors amounting to £6 billion, covering such areas as energy, transport infrastructure, water supply, retail, and even premier league football. Though that also helps.

The special relationship between the UK and HK exists not just because there is an even more significant British presence in all sectors in Hong Kong. Though again, that helps!

Ladies and Gentlemen, may I suggest that the special relationship between the UK and HK exists not just because of these ties, important though they are.

It exists because, thanks to our long-standing historical links, we share the same core values, speak the same language, and share a host of personal ties.

13 years after the reunification with China, HK enjoys a high degree of autonomy under the One Country Two Systems principle. The rule of law persists, underpinned by the common law system, which is guaranteed by the Basic Law, our mini-constitution.

We have a low and simple tax system and free flow of capital, talent and information. This has brought us the stability to keep our economy buoyant, and we expect to achieve a 6.5 per cent growth in GDP this year.

Our individual status of international bodies

Crucially, "One Country, Two Systems" ensures that we maintain our individual member status of international bodies, including the World Trade Organisation, the World Customs Organisation and the Asia-Pacific Economic Cooperation. We also negotiate our own bilateral agreements on trade, investment, immigration, culture and many other areas. We issue the HK SAR passport, which provides visa-free access to more than 140 countries including Russia. And in 2012 at the London Olympics, as at previous Olympic games, we will be competing with our own Hong Kong team!

### **Independent Judiciary**

Our independent judiciary effectively safeguards the rights and freedom of the individuals, rights and freedom which lie at the heart of Hong Kong's separate and autonomous system.

Our Court of Final Appeal is internationally renowned, and includes non-permanent judges from other common law jurisdictions. The names of those who serve – or have served - on the Court of Final Appeal may be familiar to many of you, as they include Lord Walker of the UK Supreme Court, Lord Neuberger, Master of the Rolls and Head of Civil Justice, and Lord Scott, just to name a few.

Judgements of our Court of Final Appeal have been cited in courts of other common law jurisdictions, confirming the standing of the jurisprudence of Hong Kong courts.

### **Areas that the UK and HK have in common**

Let me briefly mention other areas that the UK and HK have in common.

We both are members of the WTO and champions of free trade.

Both the UK and HK have great respect for the protection of intellectual property and for a clean and efficient civil service.

We both believe in creating a business-friendly environment.

The UK and Hong Kong speak the same language, not just metaphorically, but literally, because English is one of Hong Kong's official languages and it is widely spoken there.

### **Education**

But that's not all. The UK is the most popular destination for Hong Kong's young people who study overseas. Each year, more than 16,000 Hong Kong students come to the UK to study. And in Hong Kong, British education institutions form the largest number of non-local degree providers. The famous Harrow School, of which, many British politicians and even Prime Ministers are alumni, will open an International School in Hong Kong in 2012. Next March, one of the largest education conferences in the world : Going Global 5, will be held in Hong Kong, for the first time outside the UK. This is a striking endorsement of Hong Kong's regional role and is in line with Hong Kong's aspiration to be a global education hub.

The British Council's establishment in HK is its largest in Asia , and brings in a constant stream of famous British artists, writers and performers. And, as an indication of how Hong Kong is fascinated by British culture and sport, it's interesting to note that HK people can – and many do - watch every single Premier League match on television. Something people can't do in the UK [even with a Sky subscription!]

## **Business links**

But let's talk about business again. I'll just give a few points to show Britain's huge presence in HK:

Membership of the British Chamber of Commerce in HK is greater than anywhere else in Asia. There are well over 1,000 British companies in HK participating actively in our four main economic industries of financial services, trading and logistics, tourism and professional services. This number is steadily increasing. These British companies employed about 10% of our 3.7 million strong workforce.

British creative industry is renowned across the world and Hong Kong is no exception. It is difficult not to notice Lord Foster's building designs in HK because they are so conspicuous: the Hong Kong International Airport Building is often the first building visitors to the city will see, and HSBC's HQ building in the Central Business District is an iconic landmark. Lord Foster's design is also one of the three finalists for the 40 hectare West Kowloon Cultural District project, which promises to be one of Asia's largest cultural hubs when completed.

By the way, the West Kowloon Cultural District project is headed by another Englishman, Graham Sheffield, former Artistic Director of the Barbican Centre.

And we are also seeing Thomas Heatherwick, who designed the British Pavilion at the Shanghai Expo, spending a lot of his time in HK these days looking after his various innovative building projects there.

British architecture and engineering skills in Hong Kong are set to increase as we push ahead with our ten major infrastructure projects, of which the West Kowloon Cultural District is just one. These projects, also including the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong express rail link, will doubtless attract more UK companies to work on them. In fact this has already started as civil engineering imports from the UK to Hong Kong have seen an unprecedented 450 per cent increase over the past nine months!

The fact that Hong Kong is also focusing on low-carbon technology and the environmental sector should also be of interest to the UK, which

already has well-developed expertise in this area. In fact your own special representative on climate change – or climate ambassador – John Ashton, has recently said that East Asia will be the big growth area for low-carbon sector, and that Hong Kong is the place to be to catch that wave!

Something else that links us together is our roles as international financial centres. According to the Global Financial Centres Index ranking, London is naturally the top, but Hong Kong comes third and is rapidly closing the gap with London and New York.

Last year, Hong Kong ranked number one in the world for total funds raised through initial public offerings with a total of \$31 billion. We expect to keep this position in 2010.

Britain is the second largest European foreign investor in Hong Kong but is easily the largest European foreign investor in HK if one takes into account the sizeable quantity of British investment there that is held through other vehicles such as the “Special Financial Institutions” in the Netherlands.

### **Significance for UK**

So what does this special relationship mean to the UK?

It means that the UK can make good use of Hong Kong’s geographical and economic position to enter the emerging markets in Asia. From Hong Kong, all Asia's key markets are within 4 hours flight time and half the world's population is within 5 hours flight time.

But of course the most important market is Mainland China. Hong Kong has the closest links to Chinese culture and speak the same language - Putonghua (or Mandarin), the main language for Mainland China which is taught in almost all HK schools. Hong Kong and China are the largest investors in each other’s economies.

Through a Closer Economic Partnership Arrangement (CEPA), which is basically a free trade agreement between Hong Kong and Mainland China, products of Hong Kong origin enjoy tariff-free treatment in Mainland China, and Hong Kong service suppliers enjoy preferential treatment in entering into the Mainland market in various service areas. UK companies

can take advantage of this because the beauty of CEPA is that it is nationality-blind: by setting up an operation in Hong Kong, foreign enterprises can use the city as their platform to enter the vast Chinese market. Indeed, many UK companies are already using HK as the means of accessing this enormous resource and opportunity, to the mutual benefit of the UK, Mainland China and Hong Kong.

At the same time, as I mentioned already, our business-friendly attitude and common law system make things so much simpler and predictable—businessmen from your constituencies arriving in Hong Kong for the first time will find things pleasantly familiar!

Hong Kong's increasing role as an offshore centre for trading in Mainland China's currency, the Renminbi, will only increase our importance as a financial partner for the UK. Just a few days ago, Russian bank VTB announced that it would raise money in China by issuing RMB bonds in Hong Kong, following the examples of American companies McDonalds and Caterpillar – I hope it won't be long before the first UK company takes this initiative!

### **Work to be done**

There is, however, much still to be done to further this relationship. Amazingly, the UK's exports to both China and India last year were just 3.2 per cent of its total exports. To put this into context, the UK exports more to Ireland than it does to Brazil, Russia, India and China combined – the so-called BRIC countries that are supposed to be the key growing markets. In David Cameron's own words, these are shocking figures.

It isn't all bad news though. The UK has been a trailblazer in the region, and is one of Europe's largest investors in China, and among the largest destinations in Europe for China's outward investment. The UK also signed a comprehensive avoidance of double taxation agreement with Hong Kong in June this year. During his November visit to Beijing, Mr Cameron set a new target of doubling the value of bilateral trade with China to more than £62bn a year by 2015, and it is understandable that the Coalition Government has made it a priority to increase trade with China. And who can be your best partner in achieving this? Hong Kong, of course.

Testament to this fact is that just months after the Coalition Government was formed, the Duke of York as well as four senior government Ministers (including the Chancellor of the Exchequer and the Education Secretary) have already visited us, while five ministers from the Hong Kong Government visited the UK.

### **Hong Kong's charms**

On a lighter note, Hong Kong is also a popular holiday destination for Britons. We are pleased to see that many of your compatriots are discovering the great paradox of Hong Kong: that though it is renowned for its frenetic and vibrant city life, it also offers unparalleled countryside and unspoilt nature reserves that together take up 40 percent - yes, 40 per cent - of our land area! Hong Kong is not just a pleasant choice for businessmen to work in, it also offers great opportunities for people to enjoy a wonderful lifestyle: it is a paradise for foodies, and its wide range of sports, leisure and entertainment facilities make it a magnet to young people, and the young at heart. In fact I'm delighted to inform you that CNN has just included Hong Kong in its top 10 places to spend Christmas this year, useful information if you haven't made up your mind where to go!

### **Conclusion**

As I hope you have seen, Hong Kong still matters to the UK, and the special relationship between Hong Kong and the UK is both strong and enduring. In fact I'd just like to conclude by quoting a statement from Arlene Foster, Minister of Enterprise, Trade and Investment over in the Northern Ireland Assembly. Two days ago, following a visit to Shanghai, she answered a question in the Assembly about Invest Northern Ireland's plans for working in the Far East. She considered whether they should open an office in Hong Kong. She said: 'I think we should, because Hong Kong, as the member knows, is the gateway into and out of China. If our companies were there, it would give them a good stepping stone into the Chinese market, which is absolutely huge.'

And there I rest my case. We look forward to a continuing special relationship over the coming years. Thank you.