



HONG KONG – THE BEST IS YET TO COME

Presentation by
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Chief Executive
Hong Kong Special Administrative Region
at Business Luncheon in Zürich, Switzerland
on 22 January 2018



Hong Kong has a strong base



- The world's most competitive economy
 - IMD World Competitiveness ranked No. 1 in two consecutive years
 - World Economic Forum: Global Competitiveness Report From 9th (2016-17) to 6th (2017-18)
- The world's freest economy
 - Heritage Foundation: 23 years in a row
 - Fraser Institute: since 1990
- Highly regarded rule of law and judicial independence
 - 15th ranking in rule of law according to World Bank's Governance Indicators
 - 13th ranking in judicial independence according to WEF; 6th amongst the common law jurisdiction and the highest amongst Asian jurisdictions



Hong Kong has a strong base (cont'd)

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(cont'd)

- Five universities among the world's top 100
- One of the safest cities in the world
 - 825 cases per 100 000 population in 2016, lowest since 1972 and set to go even lower in 2017
- Rights and freedoms guaranteed under the Basic Law
- Efficient and clean government



The University of Hong Kong



香港中文大學
The Chinese University of Hong Kong



THE HONG KONG UNIVERSITY OF
SCIENCE AND TECHNOLOGY



香港城市大學
City University of Hong Kong



THE HONG KONG
POLYTECHNIC UNIVERSITY
香港理工大學

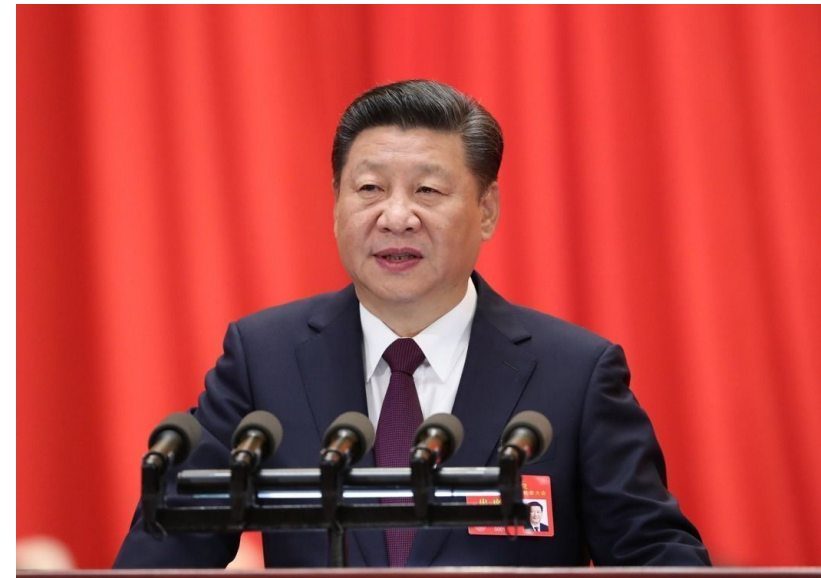
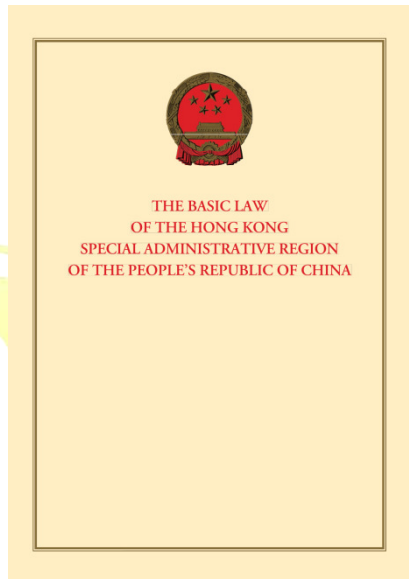


Unique advantage: One Country, Two Systems



- 20 years of successful implementation
- Continued support from the Central Government
- General Secretary Xi Jinping in his report at the 19th CPC National Congress –

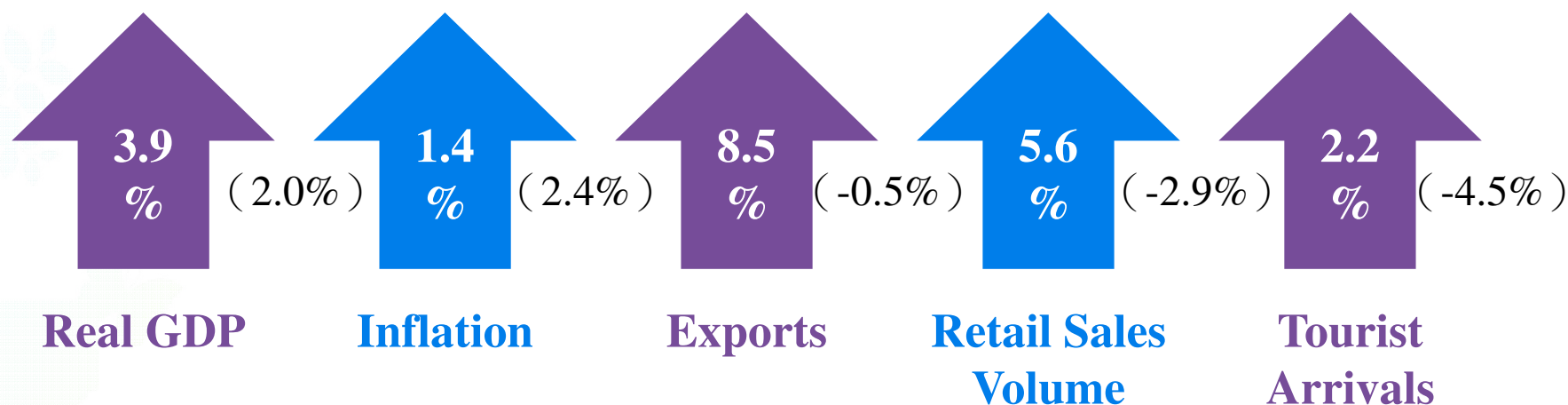
“We will continue to support Hong Kong and Macao in integrating their own development into the overall development of the country”



Strong economic performance



- First three quarters of 2017: () figures in brackets refer to 2016

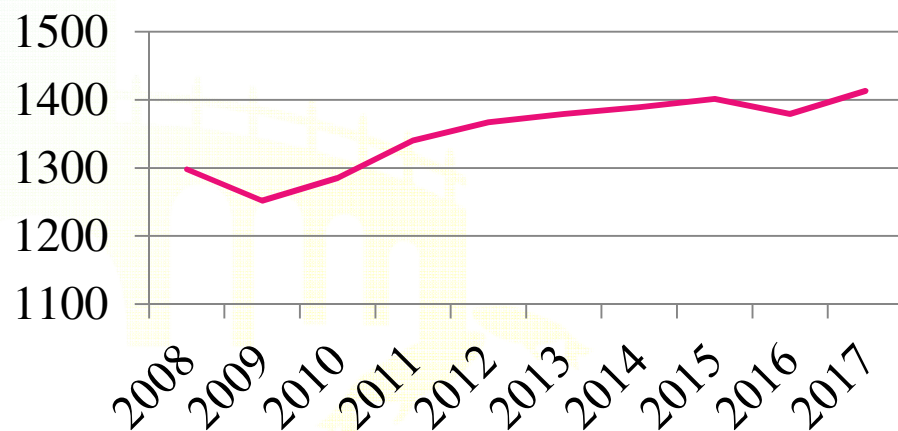


- Unemployment: **2.9%**
(Dec 2017, below 3% for the first time in nearly 20 years)

Strong economic performance (cont'd)

- Record high number of overseas and Mainland companies established in Hong Kong: **8 225** (2017)
(Comprising **1 413** Regional Headquarters, **2 339** Regional Offices and **4 473** Local Offices)
- Record high fiscal reserves
(As of Nov 2017: **\$1,088** billion HKD including Housing Reserve)

Regional HQs



Favourable external environment

- According to IMF:

	2017	2018
Global Economy	+3.6%	+3.7%
Asia-Pacific	+5.6%	+5.5%
Emerging markets and developing economies in Asia-Pacific	+6.5%	+6.5%
China	+6.8%	+6.5%



- Asia will continue to be the engine of global economic growth for the foreseeable future



To build on the strong base ...

- Boosting connectivity
- Consolidating traditional economic sectors
- Developing new economic sectors
- Improving business environment
- Enhancing the standard of living
- Leading a proactive government



Boosting connectivity



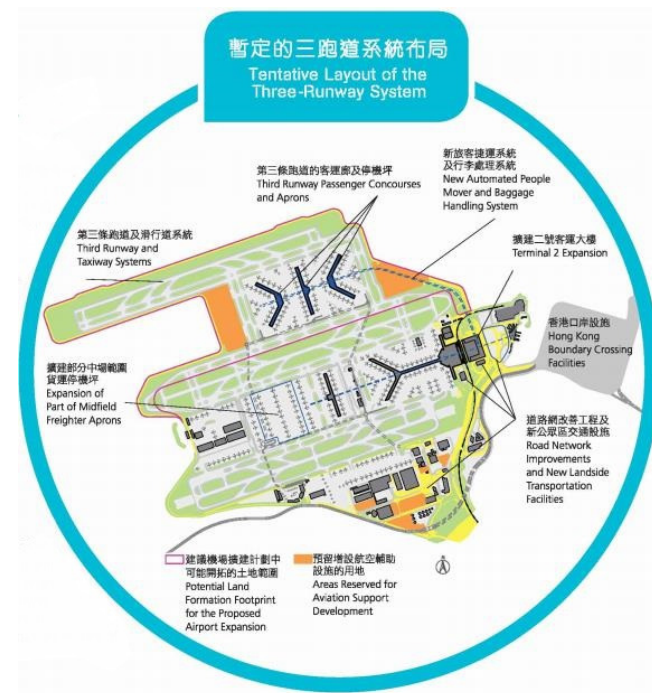
- Three major pieces of cross-boundary infrastructure to be commissioned within next 18 months:
 - Hong Kong-Zhuhai-Macao Bridge
 - Hong Kong section of the Guangdong-Shenzhen-Hong Kong Express Rail Link
 - Seventh land boundary control point at Liantang/Heung Yuen Wai



Boosting connectivity (cont'd)



- Hong Kong International Airport
 - Handled 72.9 million passengers and 420 630 flight movements (2017)
 - The first airport in the world to have ever handled over 5 million tonnes of cargo and airmail in a year (2017)
 - Over 100 airlines and linked with 220 destinations (2017)
- Three-runway system of Hong Kong International Airport
 - Capable to serve 100 million passengers and handle 9 million tonnes of cargo after completion.



Boosting connectivity (cont'd)



- Actively seek to sign FTAs, IPPAs and CDTAs with other economies
- Expand overseas ETO network by adding five new offices (South Korea, India, Russia, United Arab Emirates, Thailand)



Consolidating traditional economic sectors

- Financial services
 - Enhance connectivity with the Mainland
 - Stock Connect with Shanghai and Shenzhen - investors are able to trade shares on the other markets using their local brokers and clearing houses
 - Bond Connect - giving international investors “Northbound” access to trade bonds directly on the China Foreign Exchange Trading System
 - Offshore RMB business
 - New listing rules for new economy enterprises (Dual-class shares) by June 2018



Consolidating traditional economic sectors (cont'd)

- Trade and logistics
 - Enhance air, sea and land links and pursue value-added maritime services
- Tourism
 - Adopt four development strategies to diversify visitor source markets, enrich tourism products, promote smart tourism and upgrade service quality
- Professional services
 - Facilitate access to Mainland and overseas markets and establish training hub



Developing new economic sectors

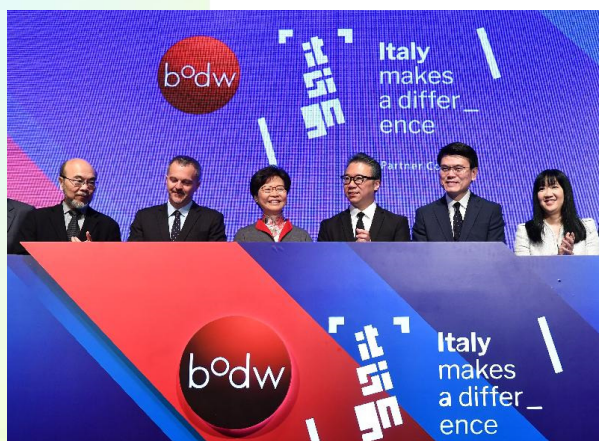
- Innovation and technologies (I&T)
 - Karolinska Institutet research centre and MIT innovation node
 - To chair Steering Committee on I&T
 - Step up efforts in eight major areas, e.g.
 - Increases resources in R&D (such as tax deduction for R&D Expenditure)
 - Pool together technology talent
 - Provide investment funding (such as Innovation and Technology Venture Fund)
 - Provide technological research infrastructure
 - Develop a second Science Park at the Lok Ma Chau Loop – the Hong Kong-Shenzhen Innovation and Technology Park



Developing new economic sectors (cont'd)

- Creative Industries

- Providing more financial support
- Combining design and industry
- Strengthening cooperation in design with Shenzhen
- More emphasis on the promotion of design and creativity in education
- To launch a design and fashion project in Sham Shui Po



Improving business environment

- Increase land supply for economic development
- Reduce tax burden through two-tier profits tax system
 - **8.25%** for the first \$2 million of profits, **16.5%** for the rest
- Map out manpower needs and facilitate talent admission
- Undertake more overseas promotion and publicity



Enhancing the standard of living

- Ensure inclusive growth through effective social policies
- Enhance arts and culture
(West Kowloon Cultural District)



Enhancing the standard of living (cont'd)

HONG KONG 香港

- Enhance sports development
(Kai Tak Sports Complex)
- Balance development and conservation
- Tackle climate change



Enhancing the standard of living (cont'd)

- Smart City Blueprint for Hong Kong published in December 2017 - To build Hong Kong into a world-class smart city
- By making use of I&T:
 - To enhance the effectiveness of city management
 - To improve people's quality of living and Hong Kong's attractiveness and sustainability
- Six major areas:
 - Mobility, Living, Environment, People, Government and Economy



Leading a proactive government



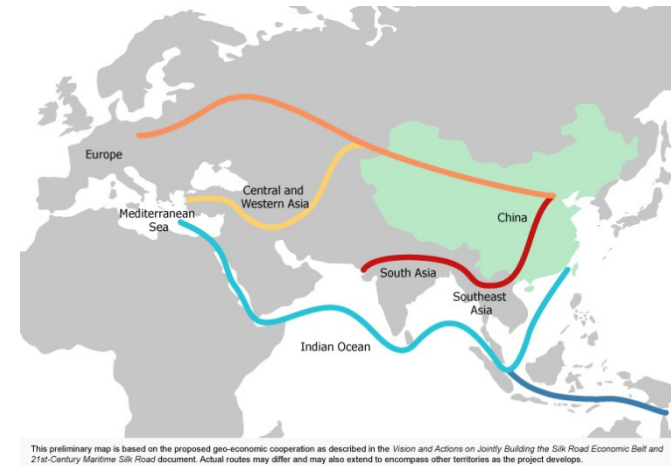
- New roles of the Government:
 - “Facilitator” and “Promoter” in addition to “Service provider” and “Regulator”
- To set up the Chief Executive’s Council of Advisers on Innovation and Strategic Development
- Financial Leaders Forum chaired by the Financial Secretary



Hong Kong's participation in and contribution to two major national strategies



- Belt and Road Initiative
 - Supported by and involving over 100 countries and international organisations
 - Agreement between Hong Kong and Mainland authorities was signed last month
- Guangdong-Hong Kong-Macao Bay Area
 - Total population over 66 million, total GDP over US \$1.3 trillion
 - Draft development plan is under preparation



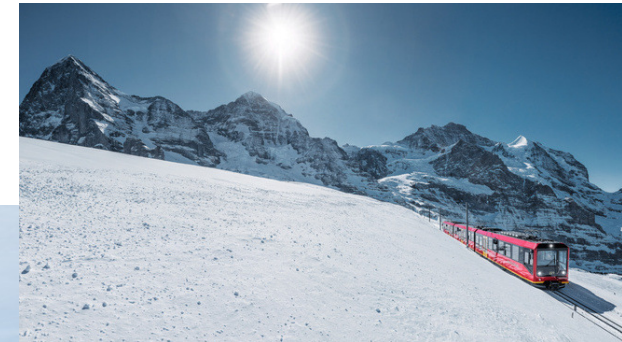
This preliminary map is based on the proposed geo-economic cooperation as described in the Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st-Century Maritime Silk Road document. Actual routes may differ and may also extend to encompass other territories as the project develops.



Switzerland and Hong Kong



- Close collaboration in business, trade and finance
 - One of Hong Kong's major trading partners
 - Hong Kong's largest partner among the member states of European Free Trade Association– our first European FTA partner
- High Competitiveness
 - Hong Kong and Switzerland: The top two competitive economies in the world by IMD
 - Global Financial Centres Index :
Both Hong Kong and Zurich
in the top 10 on financial
competitiveness among
nearly 90 global cities



Switzerland and Hong Kong (cont'd)

HONG KONG 香港



- **238** Swiss companies in Hong Kong (2017)
 - **55** Regional Headquarters, **84** Regional Offices, **99** Local Offices.
 - Well represented in banking, insurance, pharmaceuticals, business and professional services, and many other sectors.
- As at end Dec 2017, there were **7** registered financial institutions and **27** licensed corporations in Hong Kong which had controlling shareholders from Switzerland.



Switzerland and Hong Kong (cont'd)



- Asset management centres
- Memorandum of Understanding (MOU) on the mutual recognition of funds and asset managers
 - Swiss and Hong Kong public funds are allowed to be distributed in each other's market through a streamlined vetting process
 - Swiss asset managers can also serve as delegated investment managers of funds authorised by the Hong Kong Securities and Futures Commission
 - By last summer, four Hong Kong funds had been approved for distribution in Switzerland





THE BEST OF HONG KONG IS YET TO COME



Thank You

