

## **Hong Kong - Emerging Stronger and Beyond**

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Hong Kong has always been a free and open society with close relation with Japan and the international community. However, with the recent unprecedented challenges posed to Hong Kong, including the social unrest, fallout of geopolitical tensions and the COVID-19 pandemic, we understand that some of our Japanese friends have concerns about the current situation of Hong Kong. We note, through our liaison work, that there is a perception issue, very often based on misinformation and disinformation. There is also a perception gap between the headquarters in Japan and their subsidiaries based in Hong Kong. I would like to tackle the perception issue with hard facts and figures.

Since the enactment of the National Security Law last year, Hong Kong has restored its social order and stability. Business confidence has also been restored as their operations are no longer under threat. Local and foreign residents and businesses in the city continue to enjoy their rights and freedoms guaranteed under the Basic Law and the provisions of international covenants as applied to Hong Kong. According to the results of the quarterly survey conducted by the Consulate-General of Japan in Hong Kong, the Japan External Trade Organization (Hong Kong), and the Hong Kong Japanese Chamber of Commerce and Industry for Q2 2021, more Japanese subsidiaries have had better business performance in Hong Kong as compared to the previous quarters<sup>1</sup>.

Hong Kong is also safe in terms of public health. Through adopting a whole-government and stringent approach to curb the pandemic through vigorous testing and tracing, social distancing measures and infection control arrangements, Hong Kong has managed the pandemic situation well by global standards. Local infection has been largely contained, with only one local case recorded since early June. The COVID-19 vaccination programme commenced in February this year, and we aim to achieve the target of 70% of Hong Kong citizens having vaccinated by September.

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<sup>1</sup>As compared to the survey results a year ago, the results for Q2 2021 reveal an increase of Japanese companies with improved business performance in Hong Kong (22.6% in Q2 2020 vs 37.9% in Q2 2021).

As the local pandemic situation has become more stable, with effect from August 9, 2021, non-Hong Kong residents who have stayed in Japan on the day of boarding for / arrival in Hong Kong or during the 14 days before the day, and who have been fully vaccinated, will be allowed entry to Hong Kong with compulsory quarantine in designated quarantine hotels for 14 days<sup>2</sup>.

With Hong Kong's infection ratio among the lowest in the world, our strategy now focuses on relaunching economy and creating jobs. To date, the HKSAR Government has injected nearly US\$39 billion to support businesses, keep workers working and help those in need. It's been encouraging that Hong Kong's economy has been picking up its impetus by recording a 7.5% year-on-year growth in Q2 2021 and marking four consecutive quarters of consecutive growth. We forecast a real GDP growth of 3.5% to 5.5% this year due to the quick rebound of the Mainland's economy which would boost ours. Hong Kong's unemployment rate has also dropped from 7.2%, a 17-year peak, to nearly the level of that a year ago.

Hong Kong's financial market is not only resilient but increasingly vibrant. For Initial Public Offerings (IPOs), Hong Kong has topped the world for seven of the past 12 years. From July 2020 to June 2021, IPO funds raised in Hong Kong exceeded US\$64 billion, representing an increase of over 50%. The Hong Kong dollar remains strong. As at end May, total deposits in the Hong Kong banking system amounted to US\$ 1,915 billion, representing a 5% increase over last year. The net assets of funds management in Hong Kong at the end of last year also increased by some 20% over the end of 2019.

What's more, Hong Kong's unique strengths guaranteed under the Basic Law remain solid and intact. These include the "One Country, Two Systems", rule of law, independent judiciary, free flow of capital, use of English, fundamental rights of residents, free flow of information, and protection of intellectual property. The presence of 9 000 overseas and Mainland enterprises based in Hong Kong, with 44% using Hong Kong as their regional headquarters or regional offices, bears testimony to their faith and confidence in Hong Kong.

Hong Kong attaches great importance to our relationships with Japan. In this connection, the Chief Executive of the HKSAR, Mrs Carrie Lam addressed the Japanese business community at a webinar organized by our Office on 26 April.

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<sup>2</sup> For details, please refer to [https://www.hketotyo.gov.hk/common/pdf/groupb\\_table\\_jp\\_en.pdf](https://www.hketotyo.gov.hk/common/pdf/groupb_table_jp_en.pdf)

For the latest information, please refer to <https://www.coronavirus.gov.hk/eng/inbound-travel.html>

Apart from reaffirming that Hong Kong would remain a free and open society under the “One Country, Two Systems” principle, Mrs Lam also encouraged the Japanese business sector to partner with Hong Kong in seizing the immense business potential in the Guangdong-Hong Kong-Macao Greater Bay Area, which covers a total population of 86 million and a combined GDP of around US\$1.7 trillion.

The positioning of Hong Kong has been further strengthened under the Mainland’s national development plan for 2021-2025 (14<sup>th</sup> Five-year Plan) promulgated in March this year. Besides reinforcing support for Hong Kong as an international financial, trade and transportation centre and a centre for international legal and dispute resolution services in the Asia-Pacific region, the Mainland will support Hong Kong to develop an international innovation and technology hub, an international aviation hub, an East-meets-West hub for international arts and cultural exchanges and a regional intellectual property trading hub. All these will create abundant business opportunities for Hong Kong, which could be shared with our Japanese business partners. By setting up companies in Hong Kong or partnering with Hong Kong companies, the Japanese businesses can tap the opportunities in the Mainland market and at the same time enjoy Hong Kong’s competitive advantages such as low and simple tax system and strong intellectual property protection.

The city has weathered countless challenges in recent decades, from the Asian and global financial crises to SARS and COVID-19. History reminds us that Hong Kong always bounces back stronger than ever. Looking ahead, Hong Kong will continue to optimise the opportunities brought about by the Mainland’s rapid developments and share the prosperity with overseas companies who have been our unfailing partners throughout the journey. In the same spirit, we have faith that Hong Kong’s close ties with Japan will grow from strength to strength and that both economies would benefit from the partnership to tap the immense business potential in the Mainland.

**6 August 2021**