

## Financial Secretary's speech at Creative Business Forum

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Following is the speech by the Financial Secretary, Mr John C Tsang, at the Creative Business Forum, London Business School, today (June 3):

Distinguished guests, ladies and gentlemen,

Good morning.

Thank you for the invitation to join you today. I am delighted to be back in this great city and enjoying your wonderful hospitality.

I spent a couple of years here in a previous incarnation as head of Hong Kong's London office, at the beginning of the Blair years when "Cool Britannia" was the catchphrase of that generation, and it is always a pleasure for me to return – even more so when Hong Kong has something to show you, which I am pleased to say we have.

There is no doubt that Hong Kong has benefited over the years from its fortuitous location and we are grateful for that. However, despite what the real estate agents may say, mere location, location, location, is not the sole guarantee of success. That requires real effort, as well as application, and a touch of luck.

Although these are uncertain times for the global economy, Hong Kong has been spared the worst effects of the credit crunch brought on by the sub-prime mortgage-lending problem in the US. Our banking system remains healthy and the financial services sector is one of our economy's great strengths.

London knows what it takes to be a major financial centre and it is at the heart of the wealthiest region in Britain. Hong Kong, likewise, is the wealthiest city in China. Both cities have a strong banking sector and a deep pool of expertise in business and finance.

We may not yet have London's range of cultural activities but Hong Kong, too, is more than just a place for doing business. We have a vibrant cultural scene and a cosmopolitan society that is fully engaged in the city's development. To enhance our status as a modern international city, we have a strong focus on developing arts and culture.

As this is a Creative Business Forum, allow me to say a few words about Hong Kong's creative economy and how we plan to make the city even more creative.

Some 30,000 firms associated with creative industries employ more than 170,000 people. We are best known for "Hong Kong film" which has been prominent in the global market for decades. And even if you are not familiar with Hong Kong films – and there are many well known ones – you will no doubt know some of the Hollywood remakes.

The Oscar-winning film "The Departed" is a remake of the 2002 Hong Kong film "Infernal Affairs". And "The Eye", which was released this year, is Hollywood's

version of the horror film “Gin Gwai”. These remakes have helped enhance international interest in Hong Kong’s film industry.

As well as film, our strengths include music, television, advertising, design, architecture and animation. The creative industry accounts for some HK\$55 billion.

And there is huge potential for further growth.

Yesterday, I attended the launch of Creative Hong Kong in London. The exhibition is part of our efforts to promote the work of our designers and show to the world the unique opportunities that exist for talented individuals in our neck of the woods.

In Hong Kong, the lifestyle is a unique fusion of East and West. People from all corners of the world contribute to our multicultural society, and this is often reflected in the creative achievements of our people.

The East-West theme is a feature of the “9707” exhibition of works to mark the 10th anniversary of Hong Kong’s reunification with China last year. Here, top designers from Hong Kong and overseas teamed up to produce 10 unique products at the end of last year. It was a great way to highlight Hong Kong’s reputation as a global design centre and show the world that Hong Kong is, indeed, Asia’s world city.

I am pleased to see that many of our talented designers who took part in “9707” will give presentations during this forum today.

As well as one-off events such as “9707”, Hong Kong is also home to Asia’s leading annual design, branding and innovation exhibition. Business of Design Week and the Inno Design Tech Expo team up for an event that last year attracted 35,000 visitors and 300 exhibitors worldwide.

The expo has become an international trade platform for design, branding and technology companies from around the world. It has also built international partnerships to mount country promotions including Scandinavian Design Day, DesignUK Day, and Italian Design Day. This year we will see Dutch Design Day.

To establish Hong Kong as a centre for the arts in Asia, we are planning a world-class cultural district on a 40-hectare site on the West Kowloon waterfront. Once completed, it will be our own version of the West End with a Manhattan skyline, and will include a variety of performing arts, galleries and museums, as well as commercial enterprises.

Our goal is to stimulate our cultural and creative industries and enrich the experience of our visitors from around the world.

Although high quality venues and facilities are important, building a creative culture takes more than bricks and mortar.

We are working hard to expand our pool of creative talent by promoting university training in areas such as performing arts as well as marketing and management of arts facilities.

The Education Bureau of my Government is also encouraging schools to stimulate more interest in cultural events so that our young audiences can better appreciate the arts.

Looking a little further afield, there is enormous potential in expanding our creative industries across the boundary, on the Mainland of China.

Here, the government has an important role to play in promoting the achievements and the brand names of our creative industries on the Mainland, as well as overseas.

Just last month, we were involved in co-ordinating the industry's participation in the China International Cultural Industry Fair in Shenzhen, our next-door neighbour on the Mainland.

And earlier in the year, we hosted the Hong Kong & Shenzhen Biennale of Urbanism/Architecture. It was staged at the historic site of the Central Police Station Compound on Hong Kong Island, so it was also an example of how we are seeking creative ways to revitalise our historic buildings. This architecture, planning and design expo was the first of its kind in Hong Kong, although I am confident it won't be the last.

Another big opportunity for us to promote Hong Kong as a creative hub in Asia will be the World Expo in Shanghai in 2010. In April, we announced the winner of a competition to design the Hong Kong Pavilion at the Expo. The winning design is called "Pavilion of Infinity" and it was picked from no fewer than 80 entries. In my Budget in February, I earmarked some 4.5 million pounds to design and construct the pavilion.

Hong Kong has also been selected to take part in the Urban Best Practice Area Exhibition at the World Expo. Our pavilion will be titled "Smart Card, Smart City, Smart Life". As the title suggests, it will feature smartcard systems such as the Octopus Card and Smart ID Card which improve the efficiency of everyday life in our city. Hong Kongers already use their Octopus Cards in shops, car parks and for vending machines as well as on public transport.

The Octopus Card has inspired similar applications around the world, including the Oyster Card system here in London. More than 10 million Oyster Cards have been issued so there is a good chance you have one in your pocket.

This technology was first exported to the Netherlands in 2003, and has caught on in a big way. It will be rolled out throughout the Netherlands by 2009. And in the Middle East, Dubai has commissioned the Octopus Company to implement the system on its public transport system. The system is fast, efficient and convenient, just the way we like things in Hong Kong.

I have highlighted some of the opportunities for creative industries in Hong Kong, but these opportunities are not limited to local talent or local industries.

Hong Kong is an international city fully engaged in the global economy. We welcome people from all over the world to come and live and work and contribute to our vibrant city life.

British firms have long known of Hong Kong as the optimal gateway to China for overseas companies. Today, more than 6,400 overseas and Mainland companies have a presence in Hong Kong. That includes more than 1,000 British firms and about 1,650 firms of EU origin.

There is plenty of room for more companies to join them and take advantage of our business-friendly environment.

One of our newest recruits is the American company DuPont. DuPont has decided to set up its R&D centre in the Hong Kong Science Park for the development of solar energy. This initiative highlights the government's commitment to promoting research and development activities in the city.

There is no better time to invest in Hong Kong, form business partnerships or simply to come and visit us. An attraction for many is our low and simple tax system. Bringing in the 2008-09 Budget in February, I was happy to announce that from the start of this fiscal year on April 1st, profits tax would be reduced by one percentage point to 16.5%. This compares favourably with many European countries, including Britain. Salaries tax was also reduced by one percentage point to 15%. We have no GST, no VAT, no capital gains tax and no estate duty. Only income sourced in Hong Kong is taxable. We are by no means a tax haven. Just look at the extent of services rendered in our community. And the happy fiscal surplus too. You will be surprised that it is actually not that difficult to achieve. Just keep the Government small. Leave more to the private sector. For us, we have been able to maintain our Government expenditure at an average of 17.2% of GDP for the past 10 years.

I was also able to remove duty on wines and beer, which we expect will enhance Hong Kong's role as the regional centre for the wine trade. Asia is acquiring a taste for fine wines and we expect business volume in trading, storage and auction of wine may increase by as much as HK\$4 billion.

I believe this will create more opportunities in creative areas, such as tourism, brand promotion, advertising and exhibitions.

In Hong Kong, you will find a safe and stable environment for business. An independent judiciary underpins the rule of law. We continue to follow the common law legal system, our civil service is clean and efficient and we provide a level playing field for business. Our Independent Commission Against Corruption is one of the most effective anti-corruption agencies in the world.

These attributes are key to the success of our pillar industries: financial services, trade, tourism and logistics.

They also benefit the development of other sectors including our creative economy, which, I am confident, will go from strength to strength.

Ladies and gentlemen, on the global stage, we will face one of our biggest challenges in less than three months as a co-host city for the Beijing Olympics. Hong Kong has the honour of staging the Olympic and Paralympic Equestrian Events. As our Olympic theme song goes “We are ready”, and the city is getting excited about this once-in-a-lifetime experience.

On that note, may I thank you once again for your hospitality and invite you to visit us soon to discover for yourselves the opportunities Hong Kong has to offer.

Thank you.

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