

**Lunar New Year Reception
in Ljubljana
1 February 2012
Welcome Remarks by Ivan K B Lee
Director,
Hong Kong Economic and Trade Affairs,
The Government of the Hong Kong Special Administrative Region**

Mrs Permozer, Ambassador Sun, Mr. Hribar Milič, Distinguished Guests, Ladies and Gentlemen,

1. On behalf of the Government of the Hong Kong Special Administrative Region (HKSARG), I would like to welcome you today to celebrate the Chinese New Year of the Dragon here in Ljubljana. I am particularly pleased to see all of you and welcome you to our annual celebration, as this is my first time hosting the reception. Indeed, this is the first time that I visit this historic and beautiful city.

2. I am particularly honored to have with us today Mrs Tanja Permozer, Head of Internationalization Division of the Ministry of Economy and Ambassador Sun from the Chinese Embassy in Ljubljana.

3. I came to Europe at a time of uncertainty over the economic horizon. At Hong Kong's end, I am pleased to report that Hong Kong did reasonably well in 2011. Amid the global economic slowdown, we expect a GDP growth of 5% for the year. The unemployment rate stayed low at 3.3 % during the third quarter of last year.

4. As an external-oriented economy, Hong Kong did not entirely escape the recent global economic crisis. At the same time, much of our ability to weather such crises is attributed to our adherence to free market principles and business friendly environment. Indeed, Hong Kong has continued to be ranked among the top in various surveys and studies by international organizations. Apart from being ranked the world's freest economy for the 18th consecutive year by the Washington-based Heritage Foundation, Hong Kong was ranked the world's most competitive economy by the International Institute for Management Development (IMD) in 2011, side by side with the US. Hong

Kong is also the second easiest place to do business in the world, according to the World Bank's Doing Business 2012 Report.

5. Hong Kong topped the World Economic Forum's Financial Development Index 2011 amongst 60 world economies, overtaking the US and UK - the first time ever for an Asian financial centre to be given the top spot. Hong Kong is also ranked the world's most open market according to the first ICC Open Markets Index released in December 2011 by the International Chamber of Commerce.

6. Having said that, being a small open economy in this highly integrated world, Hong Kong would naturally be affected by a global slowdown. However, the unique position of Hong Kong to the Chinese Mainland helps to cushion the effect.

7. In the most recent National Five-Year-Plan (the 12th) promulgated in March 2011, which is China's blueprint and action agenda for economic and social development for the period 2011 to 2015, the Central Government dedicated for the first time an entire chapter to Hong Kong (together with Macau). The chapter expands on the significant functions and positioning of Hong Kong in national development strategy. It emphasises the Central Authorities' support for Hong Kong to consolidate and enhance its position as China's global financial centre and international trade and shipping centre, as well as support for Hong Kong's development into an offshore Renminbi (RMB) business centre.

8. Here, I would like to elaborate on the point of Hong Kong's development into an offshore RMB business centre. As China's global financial centre, Hong Kong has been a testing ground for the internationalization of RMB. As RMB has become more widely used outside the mainland of China, Hong Kong continues to build upon its RMB offshore centre role as the place where the use of RMB as a settlement, investment and funding currency. There were several breakthroughs in the development of RMB business in Hong Kong in 2011.

9. The latest measures cover a number of aspects, including further expansion of the RMB trade settlement scheme to cover the whole country, support for the use of RMB for

foreign direct investments in the Mainland, introduction of an RMB Qualified Foreign Institutional Investors (“RQFII”) scheme for investing in Mainland’s securities markets, pilot arrangement for foreign banks to increase capital of their Mainland subsidiaries using RMB, and expansion of issuance of RMB bonds in Hong Kong by Mainland entities. These moves laid the ground for further expansion of the offshore RMB business in Hong Kong. Hong Kong is currently handling over 90% of China’s global RMB trade. As at end-October 2011, there had been 100 RMB bond issues, with a total issuance size exceeding RMB 166 billion.

10. We also have further developments on the Closer Economic Partnership Agreement (CEPA), our free-trade pact that facilitates business between Mainland China and Hong Kong. In the latest supplement to CEPA signed in December, the Supplement VIII, it provided for a total of 32 services liberalization and trade and investment facilitation measures. The beauty of CEPA is that foreign companies are able to enjoy the preferential treatment so long as they are incorporated as a Hong Kong company or partner with one, after satisfying some basic requirements.

11. Ladies and Gentlemen, it will be remiss for me not to mention Hong Kong’s emergence as a wine trading and distribution hub in Asia. Since the government eliminated wine duties in 2008, the wine sector has blossomed. The market has responded positively with total wine exports into Hong Kong in 2011 amounting to over US\$ 1 billion. Before I left Hong Kong, a friend told me that Slovenia produces good quality wine, but they are little-known in our part of the world. There is certainly potential for Slovenian wine-growers to explore the fast-growing Asian market through Hong Kong.

12. Apart from the economic front, politically, 2011 saw the implementation of the 2010 Constitutional Reform Package endorsed by the Legislative Council to enhance democratic elements in the 2012 elections. Under the framework of “One Country, Two Systems” guaranteed under the Basic Law, the constitutional document for HKSAR, in which universal suffrage is stipulated as the ultimate aim of democratization of Hong Kong, the Standing Committee of the National People’s Congress of the People’s Republic of China approved in 2007 a timeline in that by 2017, the Chief Executive and

by 2020, the Legislative Council would be elected by universal suffrage.

13. Looking forward, 2012 will be a challenging, yet exciting year for Hong Kong. On the economic front, the global economic slowdown will no doubt affect Hong Kong. But with the developments mentioned above, we are confident that we will continue to see growth, albeit with a lower rate. Politically, this year we will have two important elections to implement the 2010 Constitutional Reform Package: the Chief Executive election in March will be determined for the first time by a 1200 member strong Election Committee, expanded from 800 members; the Legislative Council election in September will see 10 additional seats, increasing the total number of seats in the Legislative Council from 60 to 70.

14. 2012 is also of great significance as it marks the 15th anniversary of Hong Kong's reunification with China. There will be many celebrations both inside and outside Hong Kong. My office will also be hosting celebration activities.

15. Turning to another reason for celebration; Hong Kong's bilateral relationship with Slovenia continues to grow. Bilateral trade between Hong Kong and Slovenia grew at about 8% annually between 2007 and 2011 and amounted to about EUR 97 million in 2011. In 2011, EUR 51 million worth of goods, or 4.1% of the total trade between Slovenia and the Mainland of China, was routed through HK.

16. Our office was also happy to participate at the 2nd International Foreign Direct Investment Summit here in Ljubljana last October. My predecessor Mr Stephen Wong exchanged ideas with the Slovenian business community on investment opportunities in Hong Kong. He also met President Türk at the Summit.

17. Before I conclude, a few words on the dragon. Dragon is a mythical creature which brings with it optimism and hope for better times ahead in 2012. May the innovation and high energy of the Dragon stimulate us all, as we embrace the challenges facing us in the coming year! Thank you, Ladies and Gentlemen, and I wish you all a very prosperous Year of the Dragon!

Ends.