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Session 17

Globalization & Free Trade: The Hong Kong Experiences and Perspective

Time: 15:15 - 16:30, March 24, 2017

Venue: (ICC, Level 1, Dong Yu Grand Ballroom B)

Moderator: Jack SO, Chairman of the Airport Authority Hong Kong and Former Chairman of the Hong Kong Trade Development Council

Panelists:

C Y LEUNG, Chief Executive, Hong Kong Special Administrative Region

Paul MP CHAN, Financial Secretary, The HKSAR Government

Edward CHEN, Chairman of HKU School of Professional and Continuing Education and Former President of Lingnan University

Jonathan CHOI, Chairman of the Chinese General Chamber of Commerce of Hong Kong; Hong Kong, China's representative to the Asia-Pacific Economic Cooperation Business Advisory Council

Patrick LOW, Visiting Professor and Director, Asia Global Fellows Program, the University of Hong Kong; and Former Chief Economist at the World Trade Organization



Anthony NIGHTINGALE, Director of Jardine Matheson Holdings Limited and Hong Kong, China's representative to the Asia-Pacific Economic Cooperation Business Advisory Council

Key points:

- No one will be a winner in a trade war, and we shall say no to trade protectionism. To solve domestic economic and social problems, we shall rely on innovation, and set up a more equitable distribution system and so on.
- The government should manage the impact of globalization and enable the residents who are rendered unemployed by globalization to have re-employment opportunity and ability.
- The Asian progressive globalization model is more effective. The informal, incremental and inclusive globalization advocated by Asians is more likely to succeed.
- Hong Kong should build the “Belt and Road” with mainland China. Hong Kong can take advantage of its professional services, finance and cultural exchange to participate in the construction of the “Belt and Road”.
- The Hong Kong service industry can provide a new growth engine for mainland China. Hong Kong has distinct advantages in finance, logistics and professional services, and is in a position to assist mainland China to transform and upgrade the service industry.

Synopsis:

The whole world benefits from free trade and globalization, and a vast majority of countries also support globalization. Today's the world economy is facing challenges as trade protectionism is growing and the Europe and the U.S. go against economic globalization. It should be noted that the impact of uneven benefit distribution caused by economic globalization on some industries and



people is an objective reality. The governments should manage the impact of globalization and firmly support globalization. We shall not give up eating for fear of choking, and go against the global trend. Hong Kong, as a small and medium-sized economy, has always upheld free trade and globalization, which is the cornerstone of Hong Kong's prosperity. Hong Kong has advantage in professional services, finance and people-to-people exchanges, and can join hands with mainland China to build the "Belt and Road", help enhance the competitiveness of the service industry and promote sustainable economic development in mainland China.

No one will be a winner in a trade war

C Y LEUNG said that free trade is conducive to the free flow of goods and services in the world, benefiting the world as a whole. Free trade is the cornerstone of Hong Kong's prosperity. Article 151 of the Basic Law of Hong Kong expressly stipulates the protection of free, convenient flow of goods and capital to ensure Hong Kong is closely linked with the rest of the world. Hong Kong is now the world's seventh largest trade center, with a trade volume of upwards of 100 billion US dollars. Trade and logistics contribute 23% to Hong Kong's GDP, creating 700,000 jobs. Free trade has brought wealth, competition and innovation to Hong Kong. At present, Hong Kong has been involved in trade negotiations or signed trade agreements with countries such as Canada, Mexico, Iran, and Russia, and set up 18 offices in the world, with a view to promoting the status of Hong Kong as a global trade center. Protectionism is not the solution, and restriction on trade means restrained competition and innovation. No one will be a winner in a trade war, and we shall say no to trade protectionism. To solve domestic economic and social problems, we shall rely on innovation, and set up a more equitable distribution system and so on.

The government shall manage the impact of globalization

Anthony NIGHTINGALE said that anti-globalization movement was more obvious in Europe and the United States, partly due to political reasons. Some argued that globalization would lead to the transfer of manufacturing and services to foreign countries, and would be detrimental to the employment and income growth of local people. But this is not the exact case. Technological



progress and automation will also lead to unemployment, and these problems should not be attributed to trade. In developing countries, especially in developing countries in East Asia, trade has eliminated poverty and raised incomes. The key issue is how to solve the problems arising in the process of globalization. On the one hand, we should ensure the healthy performance of the domestic economy, and residents impacted by globalization can find re-employment in the new industry; second, we shall establish a sound social security net whereby they can achieve re-employment through training. We shall embrace globalization, but the government should have great courage to manage the impact of globalization on some industries and people.

Asia's progressive globalization model is more effective

Edward CHEN said that uneven benefit allocation was a key factor leading to anti-globalization. In particular, large-scale, high-level globalization process involves a wide range of interests, and often meets great resistance. TPP, as a regional trade agreement, is also a means to promote globalization. But, it has very high standards, strict constraints, and extensive content. So it is not easily promoted and could finally come to nothing. The Asians prefer an informal, progressive, inclusive model of globalization. The APEC agreement, China-ASEAN FTA, etc. is based on this, since this is more likely to succeed.

Hong Kong should build “Belt and Road” with mainland China

Jonathan CHOI said that Hong Kong should work with mainland China to build the “Belt and Road.” Hong Kong is a an important way station in the building of the “Belt and Road”. Though unable to handle the project construction, Hong Kong people can provide financing services. Hong Kong also boasts soft power advantages. Hong Kong is not only a super bond, but also a good operator. Hong Kong and mainland China can jointly create a great future.

Paul MP CHAN said that Hong Kong had advantages in professional services and finance as far as the “Belt and Road” is concerned. For example, Hong Kong has management and operations advantages in infrastructure in terms of connectivity. As an international financial center, Hong Kong can provide international financing for infrastructure



construction. Accession to the Asian Infrastructure Investment Bank also provides favorable conditions for Hong Kong in this aspect. In terms of people-to-people communication, Hong Kong maintains extensive contacts with countries around the world. For example, Hong Kong has proposed establishing the “Belt and Road” scholarship to give support to students from countries along the Belt and Road studying in Hong Kong, with a view to strengthening such people-to-people relations.

Hong Kong’s service industry can provide a new growth engine for mainland China

Patrick LOW said that the development model in mainland China has been very successful for the past 30 years. This export-oriented development model works well in many countries, too. Experience shows that the effect of export-oriented development model will be significantly reduced in the late stage. Many export-oriented economies have experienced a slowdown in growth, namely falling into the middle-income trap. To avoid such a trap, China must shift its focus to the domestic economy. This requires a series of structural reforms to build a competition-based domestic economic system. Development of the service industry should be the focus of China’s economic structural reform. Hong Kong boasts distinct advantages in finance, logistics and professional services, and can help the mainland to upgrade its service industry, providing new drivers of economic growth for mainland China.