

**HK Institute of Certified Public Accountants
2016 Annual Dinner on 7 December 2016**

"Lest We Forget"

President, Members, Guests,

Thank you for inviting me.

Throughout my more than forty years of public service, I have worked with professionals from many fields. I dare say that without you Hong Kong would not be what it is today.

The profession of accountancy dated back

for more than 7000 years. It is among the oldest professions that came with civilization. Indeed, no organization could have functioned without the accounting professionals to manage its finances.

Hong Kong is a case in point. We are a highly successful economy by any standard of measurement. You have played a pivotal role to bring us up to our current state of sophistication. You are among the first professions to have established and prospered in this city. I raise my hat to you all. I ask also for your forbearance in allowing me to use this evening's occasion to remind ourselves what this city is about, lest we forget.

We have been destined as a trading city from

day one. Back in 1841, according to historical record, Viceroy Yilibu, the Manchu official who represented the Qing Emperor in the negotiation over the terms of the Nanking Treaty, paused for a long while when he saw on the draft treaty that the island of Hong Kong and its harbor was all the territory that the British had asked to be ceded. He hesitantly asked, "Is that all?" And when the answer was affirmative, he immediately said, "All shall be granted - it is settled - it is done."

What Viceroy Yilibu and others had failed to see then was that, after the nasty experience of running a continent with ancient civilization, India, as a colony, Britain was determined not to repeat the mistake. They wanted to focus on trade, not the land or the

people. Hong Kong, being the best port between Singapore and Shanghai, was the natural choice for the British cargo ships.

William Gladstone, four times British Prime Minister in the 19th Century, said of Hong Kong then, “The occupation of Hong Kong was decided on solely and exclusively with a view to commercial interests - trade.”

We had been chosen, largely because of geographical location, to be the gateway for trade between China and the rest of the world. Despite the political and economic upheavals over the centuries, the choice has proven to be right. We have been tremendously successful as a trading city.

As of last year, we ranked 8th among the

world's leading traders, accounting for 3.2% of world merchandise trade, when our population is less than 0.1% of the world's total. We have boxed way above our weight, and on a per capita basis, we are truly the world's most successful trader.

Let us rehearse the story from another set of statistics: last year, our trade to GDP ratio stood at 400, again the highest among the world's leading economies. It is self explanatory how much our trade has contributed to this city's prosperity.

Our location and our harbor might have been the pre-requisites for the making of a good seaport, but that on its own was no guarantee to our success as a great trading city. Many seaports in this part of the world

had been picked by former colonial powers - Goa, Yangon, Nagasaki - just to name a few. None of them came close. Our success is actually defined by the choices we made over time. Let us reflect on them.

First and foremost, we chose to protect private property rights and made it almost sacrosanct. It was unheard of at the time in this part of the world. But it gave confidence to traders that private goods and property traded through Hong Kong would never be at risk of arbitrary confiscation by the authorities. The legal provision and spirit for this principle remains valid and has caused not inconsiderable difficulties to our other policies such as land use, urban renewal, and heritage conservation. But it is a price we consciously pay.

Second, we chose freedom. We guarantee free flow of information which is essential to traders who need to be up-to-date with the world market through reliable sources other than the government. We provide for the free flow of goods with no tax barrier, allowing them to be traded at their market values with minimum price distortion. We tax profits lightly and allow successful traders the freedom to either keep their gains or reinvest in other business. And for a long time in our history, we allowed free flow of people. It helped to provide us with the brilliant professionals, the capable middle managers, and the industrious front line workers to cater for the needs of the booming city.

Third, we built up a truly independent and hence credible judicial system through which business and other legal disputes may be settled impartially. Hong Kong has for a long time been and still remains the one place, for many hundreds of kilometers around, where a signed contract could be enforced in our courts without fear or favor. This is a unique soft power of ours.

Fourth, we chose to be honest. As accountants, you know better than most how important integrity is to market confidence. I doubt if our ancestral traders were by nature more honest than their counterparts elsewhere. But our explicit policy in protecting private property rights; our adherence to the free market principle of openness, transparency, and low tax; our

independent judges plus our guarantee of individual's legal right to challenge government decisions in court; and in time the cleaning up of corruption all add up to give the business sector the confidence that it is safe to handle business here on a large scale, and hence benefit much more, by playing an honest game in a broadly level playing field.

Last but not least, we developed in time a sophisticated system of rule of law which now ranks among the best in the world. It offers crucial protection for individual's civic rights, shielding us from the tyranny of excessive and arbitrary use of power by the authorities. It is not only in accord with the best international practice, but it is also essential to attract and retain top notch

talents, professionals like you, who keep this city working at its best.

Lest we forget, we should keep reminding ourselves that we have come a long way already and there must be no turning back.

Hong Kong is indeed a great city. But no matter how good we are, it is no guarantee to future success. We have to stay vigilant in assessing the mega trends and in seeking new opportunities for progress. An obvious one is the continuing globalization of trade, including trade in services.

The German Chancellor, Angela Merkel, an exceptionally brave and visionary politician, recently reminded her counterparts that globalization is here to stay, no matter what. As an amateur economist by training, I agree.

Globalization will not be reversible. It is already functioning as a worldwide platform for the creation, sharing as well as redistribution of wealth and income. It may hence be painful to some. But it is not a zero sum game. Developed economies stand to benefit as well as developing ones, so long as they manage themselves well.

Mainland China is a glaring example of success. China's economic capacity is now big enough to generate growth power on its own. That will in turn lift up other economies on their growth path. In the end, everyone should benefit, except those which choose to place themselves on the wrong side of economic history by turning their back to it.

We have been spared this spell because as a

trading city we can only embrace globalization. We were indeed the first major economy to face its effects in full. We went through a long period of adaptation and readjustment when we moved our manufacturing sector, almost entirely, to the Pearl River Delta Region. In the process, we provided an important growth engine to our Nation at a critical stage of its development, while benefitting ourselves at the same time.

Our Nation is now gearing itself up for the "Belt and Road Initiative" which will form an essential part of its next stage of development. We must not be left behind. And we are well positioned because of the strength of our professional services which will be a good complement to the Nation's immense infrastructural building power. Do

stay tuned closely for this exciting long march.

Ladies and gentlemen, as a career public servant, it is in our training to reflect on our policies regularly, to be in tune with what is happening around us, and to plan ahead with our feet firmly on the ground. I am sure, as professionals, you do the same too, for your clients as well as for yourself. I hope what I said tonight would be of help in this self reflection process.

Thank you very much.

