



# Hong Kong: Opening doors to business opportunity

On her first official visit to Indonesia since becoming Chief Executive of the Hong Kong Special Administrative Region (HKSAR) last July, Mrs Carrie Lam is in Jakarta updating top government and business leaders on a variety of new pro-business initiatives designed to boost Hong Kong's competitive edge as Asia's central business district.

Accompanied by the Secretary for Commerce and Economic Development, Mr Edward Yau, Mrs Lam is due to meet with President Joko Widodo today, before joining a business networking luncheon entitled "Indonesia-Hong Kong Strategic Partnership on the Belt and Road Initiative".

Over the past 10 months, the current term HKSAR Government has slashed profits tax, signed a groundbreaking Free Trade Agreement (FTA) with ASEAN Member States (AMS) and a related Investment Agreement, and taken steps to sharpen the city's competitive edge. Hong Kong continues to be ranked as the world's freest economy for 24 consecutive years according to the US-based Heritage Foundation, rated No.1 for economic freedom by the Fraser Institute in Canada, and crowned as the world's most competitive economy by the International Institute for Management Development in Switzerland.

"Indonesia and Hong Kong enjoy strong and mutually beneficial business links. My Government is working hard to enhance our city's competitiveness and we want to share our advantages with the business community here in Indonesia," said Mrs Lam.



Mrs Carrie Lam met President Mr Joko Widodo in Hong Kong in May 2017.

## International Business Hub

A record number of 8,225 enterprises with parent companies in Mainland China and overseas, operate in Hong Kong according to the latest 2017 survey by InvestHK. More than 3,700 of these companies use Hong Kong as their base for regional operations, attracted mainly by the city's simple tax system and low tax rate, free flow of information, free port status, prime geographical location and corruption-free government.

Under Hong Kong's low and simple tax system, companies pay no more than 16.5 per cent profits tax and salaries tax is capped at 15 per cent. A new two-tiered tax system launched earlier this month slashes the profits tax rate to 8.25 per cent on the first HK\$2 million (US\$256,000) of profits, making Hong Kong an even more attractive place for businesses, especially start-ups and small- and medium-sized enterprises.

## Trusted Legal System

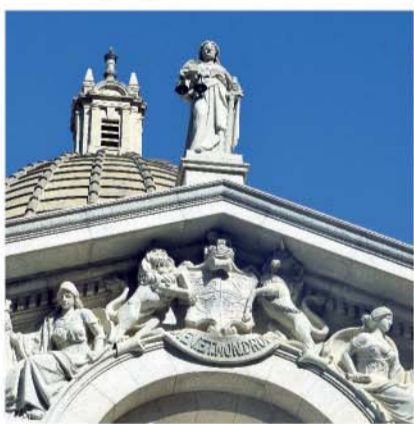
Indonesian companies doing business in Hong Kong can operate with peace of mind under the city's robust legal system that ensures contracts are enforced, disputes are settled fairly and intellectual property is well protected.

"With a tried and trusted common law system that is based on English common law and underpinned by an independent judiciary, Hong Kong provides a safe and reliable environment for business expansion to Mainland China, Asia and around the world," said Mrs Lam.

"Hong Kong's legal system is transparent and highly-respected in jurisdictions worldwide. In Hong Kong, judges are appointed on merit and deliver reasoned judgments while the media is at full liberty to report on day-to-day activity in the courts. The right of access to court and the right to fair trial are enshrined in our constitutional document the Basic Law."

Under the Basic Law, prominent foreign judges from other common law jurisdictions serve as non-permanent judges of the HKSAR's Court of Final Appeal, which is vested with the power of final adjudication in Hong Kong. Currently 12 eminent judges from the United Kingdom and Australia are appointed to the panel. And just last month, two more judges, one from the UK and the other from Canada, were recommended to join the panel. This arrangement enables Hong Kong courts to benefit from the experience and high standard of these judges while also enhancing confidence in the judicial system among the general public and the international business community.

Hong Kong's judicial independence is ranked 13th globally and top in Asia by the World Economic Forum's Global Competitiveness Report 2017-18.



## Hong Kong partnership helps to cement Indonesia's Belt and Road success

Prosper Construction Holdings, a Hong Kong-based contractor that provides marine construction services, offers its expertise to both the private and public sectors in different parts of the world.

Since its inception in 2001, the company, which operates in the name of its flagship company Hong Kong River Engineering Company, has completed various large-scale marine infrastructure projects in Hong Kong, Macau, Southeast Asia, the Middle East and Africa. Many of these projects are located in countries or regions along the Belt and Road route.

One of the Belt and Road projects recently completed by Prosper Construction involves a cement production plant in Indonesia, which was put into operation in August 2016. Located in Manokwari, the capital of the province of Western Papua, the cement factory has an initial capacity of 1.5 million metric tons per annum. Prosper Construction was responsible for the marine infrastructure, which consists of several berth platforms, an approach bridge and a cargo terminal.

The company's Hong Kong team played an important role in winning the contract to build the marine infrastructure. Leveraging their industry knowledge, technical knowhow and network of contacts, the team members prepared the tender proposal and arranged for experienced consultants to design the plans of the infrastructure.

## Strong Economic Links

Reflecting the spirit of collaboration between Indonesia and Hong Kong, the HKSAR Government's Economic and Trade Office commenced operation in Jakarta in 2016 to facilitate closer contact and liaison with counterparts in Indonesia. Meanwhile, the Indonesian Chamber of Commerce in Hong Kong opened last year.

In 2017, Indonesia was Hong Kong's sixth-largest trading partner among the AMS, with bilateral merchandise trade increasing to nearly US\$5.4 billion, up 7.9 per cent over the previous year.

As a trading bloc, ASEAN is Hong Kong's second-largest trading partner globally with a trading relationship worth over US\$120 billion in 2017, up 12.4 per cent year-on-year.

Our regional trade ties are poised for a new era of growth following the signing last November of a landmark ASEAN-Hong Kong FTA and a related Investment Agreement.

### Trade figures between Hong Kong and ASEAN



Mrs Lam noted that the agreements are very comprehensive, covering trade in goods and services, investment, economic and technical co-operation, dispute settlement mechanism and other related areas.

"The agreements will further enhance legal certainty and promote better market access for trade in both goods and services, as well as enhanced protection of investments," she said.

Under the FTA, Hong Kong commits to granting tariff free access to all products originating from AMS when the agreement takes effect on January 1, 2019 at the earliest. At the same time, AMS will reduce or eliminate their tariffs for Hong Kong's originating products.

With Indonesia being the largest economy among the AMS and Hong Kong serving as a gateway to Mainland China and strategic node for the Belt and Road Initiative, the time is right to capitalise on our well-established links.

Indonesia and Hong Kong are key players along the Belt and Road routes that cover a large number of countries from Asia and Southeast Asia to the Middle East, Europe and Africa. Closer ties between Hong Kong and Indonesia will help to give companies a first-mover advantage in seizing the huge opportunities related to this far-reaching Initiative.

In particular, Hong Kong is among the world's most services-oriented economies with a full range of world-class services industries. Through business partnership, Hong Kong's services expertise in such areas as finance, design, project management, logistics, maritime and legal services can assist Indonesian enterprises in their quest to reach global markets and consumers.

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