



**Introduction by
Rt Hon Lord Hurd of
Westwell CH CBE PC
Chairman of the FIRST
Advisory Council**

It gives me great pleasure to introduce this special FIRST Report on the Hong Kong Special Administrative Region to mark the visit of the Chief Executive, Donald Tsang.

Donald Tsang's visit is particularly timely and will help focus the attention of business leaders and policy makers on the many investment opportunities that exist in Hong Kong.

The United Kingdom's Coalition Government takes its commitment to Hong Kong very seriously under the Sino-British Joint Declaration. This treaty guarantees the autonomy, rights and freedoms which contribute to Hong Kong's security and prosperity. Our bilateral ties with Hong Kong are, however, much more than the legal and historic obligations — Hong Kong's prosperity and that of the United Kingdom are inextricably linked.

Investors are drawn to Hong Kong for its economic stability and strength. The economy grew by 6.8 per cent in 2010 and the IMF predicts growth of 5 per cent in 2011. Bilateral trade between Hong Kong and the United Kingdom amounted to almost £11.8 billion in 2010. In 2010 Hong Kong was the UK's 13th largest export market for goods and the second biggest in Asia, after mainland China. Exports of goods in 2010 amounted to £4.2 billion – an increase of 20 per cent over the previous year. I recall with affection my visits, as British Foreign Secretary, to Hong Kong. Each visit added to my understanding and admiration for Hong Kong and the achievements of its people.

Hong Kong has an open market economy dependent on international trade and finance and its increasing integration with China through trade, tourism and finance

provides considerable opportunity for the international investment community. Over the past decade as Hong Kong's manufacturing industry has moved to the mainland, its service industry has grown rapidly and now accounts for some 90 per cent of its GDP.

Given its geographic location, transport infrastructure and integration with regional markets, Hong Kong can lay claim to be a strategic gateway to the fast-developing markets of China. Indeed, Hong Kong is the major entrepot for China – 10 per cent of UK exports to the mainland are passed through Hong Kong.

Hong Kong's free market and international business environment serves as an attractive platform for overseas companies seeking to access opportunities on the mainland as well as for mainland Chinese companies wishing to explore international markets. Hong Kong also attracts a significant amount of Foreign Direct Investment – HK\$ 535 billion worth of FDI was invested in Hong Kong in 2010, representing a 32 per cent increase over the previous year.

Donald Tsang's visit will give us all the opportunity to study recent developments in Hong Kong and to better understand the wide range of opportunities that exist. He is a seasoned servant of his country, and is well placed to increase our understanding of the achievements and aims of Hong Kong.

We are delighted to have been given the opportunity to produce this official publication and hope that it contributes, in a small way, to the success of the visit and the further development of the relationship, particularly in the areas of trade and investment. We are particularly grateful to Agnes Allcock and her team at the HKETO for all their help in the preparation of this publication. **E**