

Plenary Session - Redefining Growth: Innovation · Breakthrough · Inclusiveness

The emphasis of the Forum is on innovation, sustainability breakthroughs, and how to succeed in the new era, especially given the uncertainties we face in the New Year, said Mr Lau, the moderator. According to the World Bank global economic prospects published last week, global growth for 2020 is expected to be 2.4 per cent, and in the US it is expected to be 1.8 per cent. In Europe the forecast indicates softer growth amid political transitions that need to be managed in Germany, Italy and Spain, in addition to Brexit, which will go ahead on 31 January and be finalised by the end of 2020. There are also geopolitical conflicts in the Middle East, and other challenges in Latin America. China's growth rate has been marked down to about 6 per cent, but still represents a formidable growth engine, Mr Lau pointed out, accounting for 25–30 per cent of global growth. The Greater Bay Area offers excellent prospects for Hong Kong, with 71 million people, a GNP of US\$1.6 trillion, and a lot of synergy and complementarity.

Issues haunting the world, however, are the gap between rich and poor, and the marginalisation and alienation brought about by economic issues and conflict. Mr Lau asked the speakers (1) how to provide impetus for growth in the financial services sector; (2) how to achieve a breakthrough; and (3) how to improve inclusiveness.

AIIB: Promoting and financing sustainable infrastructure

Mr Jin Liqun, President and Chairman, Asian Infrastructure Investment Bank (AIIB), explained that great changes have taken place since the AIIB was founded four years ago. The bank now has 102 members worldwide and has committed US\$12 billion to finance infrastructure worth about \$US40 billion. It is recruiting professional talent regardless of nationality and membership.

Mr Jin said the consensus of all multilateral development banks (MDB) is that no MDB is relevant today unless it takes care of the environment and actively contributes to mitigating climate change. The AIIB's core values are to be lean (minimum bureaucracy), clean (zero tolerance for corruption and fraud) and green (helping countries move from a high-carbon to a low-carbon and zero-carbon economy). To make this happen, the AIIB supports innovative approaches to infrastructure financing. The asset managers of roughly two-thirds, or about US\$20 trillion, of assets use ESG data for investment and compliance, and the AIIB fully supports this trend to share insights and drive ESG investment in infrastructure, and is working to push transparency and disclosure in the market as well as with public and private sector financial institutions for the implementation of the Paris Agreement and increasing climate loans to finance sustainable infrastructure.

The bank is adopting innovative approaches to lead the way in financing sustainable infrastructure in Asia and beyond and, Mr Jin explained "We want to make sure that while supporting infrastructure, there's a minimal environmental footprint and that our financing will be sustainable in that it improves revenue with

no debt problems. "We are working with partners in other parts of the world, and we hope to work with partners in Hong Kong."

Hungary: From slowest to fastest growth in just 10 years

Mr Péter Szijjártó, Minister of Foreign Affairs and Trade, Hungary, explained how the Hungarian economy has changed in the past 10 years. In 2009, Hungary was ranked 28th out of 28 countries in the EU for economic growth, and in 2019 it was ranked No. 1. Mr Szijjártó explained that in 2009 the economy was in very bad shape and the new government had to choose between a safe economic policy aimed at survival or an unorthodox approach that would allow survival and a much better performance. Such a policy in the midst of quick technological changes demanded a totally different approach so, to attract corporate investment, the goal was to leave as much money as possible in the hands of companies to allow them to make important investments. The government made the strategic decision to provide the lowest tax rates in Europe and launched a flat tax, and that turned out to be the key to improving the country's growth rate from last to first in a decade. The corporate tax rate is a 9 per cent flat tax and the personal tax rate is a 15 per cent flat tax.

In the digital era, jobs require higher skills, and higher skills require higher salaries. The government knew that to increase the competitiveness of the economy it had to cut the tax burden on labour and compensated with higher salaries.

Hungary introduced the Euro-type vocational training system in secondary schools, so that students have the necessary skills to enter the work force immediately upon graduation if they wish.

Hungary's goal is to become the first 5G country in Central Europe, Mr Szijjártó said, and will choose suppliers without any restrictions on nationality. A 5G hub has been set up in downtown Budapest.

Hungary is also cooperating more with the East and, last year, 38 per cent of new jobs were created by Chinese and Japanese investors. The Bank of China has its regional headquarters in Hungary, which is a signatory of the Belt and Road Initiative and has joined the AIIB.

Hungary welcomes competition between the AIIB and Western financial organisations. "We understand that the world has been globalising, but for us Hungary is first and our national interest is first. Our national interest is to apply the laws of Europe, cut the tax burden on labour, and have good relations with the engines of growth in Asia to ensure growth in the global economy."

Thailand: Building physical and digital infrastructure to promote inclusiveness

Dr Uttama Savanayana, Minister of Finance, Thailand, said that today Thailand is at a crucial juncture and, like most countries, is keeping a close watch on the

global economy and related uncertainties. Thailand has the resilience that will get it through this period, he said, thanks to its strong fiscal and monetary situation, which has allowed it to launch the economic measures necessary to stimulate the economy.

The most important issue for Thailand today is reform, Dr Savanayana said. Thailand has launched major, wide-ranging reforms as the core of its national development strategy and set a two-year national development plan that has been legislated, so future governments will follow it. Central to the strategy are innovations as the government believes in inclusive, sustainable development in all sectors and that it is important to develop and foster an innovation-friendly ecosystem through the country's reform strategy.

The key dimension of Thailand's reform strategy is significant upgrading of the infrastructure, not just inside Thailand, but also between Thailand and its neighbours. This includes the high-speed rail system, roads, airports and seaports, especially in the Eastern Economic Corridor (EEC), which covers the three major provinces on the east coast that form Thailand's traditional industrial base. Everything has been designed with total connectivity considerations, and many projects are public-private partnerships. What used to take 42 months has now been reduced to nine months and the finance goal is 20 per cent government and 80 per cent private sector. There is connectivity from China in the north down through Thailand to Singapore, Malaysia and the rest of ASEAN, and a rail system from east to west.

Second is digital infrastructure. A high-speed national broadband system linking 70,000 villages was put in place five years ago, and three years ago a national e-payment system similar to Hong Kong's was launched, which covers most of Thailand and is expected to link up with Singapore's e-payment system.

Third is a national welfare delivery system, which has provided a basic digital infrastructure, giving rise to opportunities for financial innovations and faster startups.

"This is a brief introduction to what Thailand is doing, so that we can leverage innovation," said Dr Savanayana. "This infrastructure will reach all areas of Thailand, thus promoting inclusiveness, which we believe, along with innovation, is the key to growth.