

Legislative Council Panel on Commerce and Industry

**2016 Policy Address
Policy Initiatives of
Commerce, Industry and Tourism Branch,
Commerce and Economic Development Bureau**

Our Vision

To encourage industries to expand and thrive and to provide better employment opportunities, we need to diversify our economy and achieve sustainable growth. Hong Kong is one of the freest economies in the world. While respecting the functions of a market economy, the Government should be appropriately proactive, and take a more active role to facilitate the long term economic development of Hong Kong.

New Initiatives

Enhancing External Links

Prepare for the establishment of a new overseas Hong Kong Economic and Trade Office (ETO) in Indonesia, with a view to strengthening ties with the ASEAN countries; and plan for setting up an ETO in Seoul to enhance trade and cultural exchanges with Korea.

2. We have at present 11 overseas Economic and Trade Offices (ETOs). With the shift of the global economic balance towards the east, Hong Kong needs to increase the number of ETOs in the Asian region. The Government is actively preparing for the setting up of a new office in Jakarta to promote our trade and economic relations with the Association of Southeast Asia Nations (ASEAN). Besides, the Government also plans to set up an ETO in Seoul to enhance our trade and cultural exchanges with Korea.

Provide \$200 million funding to support the professional services sector of Hong Kong in their exchange, promotion and cooperation efforts with countries along the Belt and Road and other external markets (including Mainland China)

3. The professional services sector in Hong Kong thrives in many areas, with a pool of talent and wealth of international experience. Its contribution to our Gross Domestic Product has risen from 3.4% in 2003 to 4.8% in 2013. The Government has been seeking preferential treatment for its access to the Mainland market. The Agreement on Trade in Services, signed under the framework of CEPA in November 2015, extends the geographical coverage of the majority of Guangdong pilot liberalization measures to the whole of the Mainland.

4. Our professional services will also benefit from the “Belt and Road” Initiative, as the emerging economies along the Belt and Road region (including ASEAN) will have an increasing demand for high-end professional services. We intend to set aside \$200 million to support the sector in their exchange, promotion and cooperation efforts with countries along the Belt and Road and other external markets (including the Mainland). We will consult the industry in the coming months and work out the arrangements.

Intellectual Property

Launching a review of the copyright regime to support development of a knowledge-based economy

5. The Copyright (Amendment) Bill 2014 has resumed second reading debate at the Legislative Council. We will continue efforts to push through the Bill so that stakeholders and society may benefit early. A robust copyright regime helps creativity flourish and supports development of a knowledge-based economy. The Government plans to launch a new round of review to better our copyright regime in line with international developments, ensure a proper system and sharpen our competitive edge.

On-going initiatives

Economic Development Commission

Supporting the work of the EDC to explore and identify growth sectors or clusters of sectors which present opportunities for Hong Kong's further economic growth. The EDC will continue to recommend possible policy and other support measures for the relevant industries for the Government's consideration and implementation

6. The EDC as established in 2013 has been focusing on the overall strategy and policy to broaden our economic base and enhance our long-term development, and identifying industries which would present opportunities for Hong Kong's further economic growth, so as to recommend possible policy and other support for these industries. The EDC has held nine meetings, at which it has formulated the overall work direction for its Working Groups (namely, the Working Group on Transportation; the Working Group on Convention and Exhibition Industries and Tourism; the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries; and the Working Group on Professional Services), and discussed issues as related to economic development like the demand and supply of manpower resources, intellectual property trading, and Lantau planning strategies.

7. The four Working Groups of the EDC, being in full operation for three years, have actively discussed possible policy and measures for promoting the development of industries under their ambits. Relevant Bureaux have maintained closed liaison with the Working Groups to follow up or conduct in-depth study on the subjects of interests to the Working Groups. The Working Groups have progressively submitted specific recommendations on the policy and measures for supporting individual industries for the EDC's endorsement, and for the Government's consideration and implementation as appropriate.

8. The Government adopted the recommendation of the Working Group on Convention and Exhibition Industries and Tourism under the EDC. A convention centre will be constructed above the Exhibition Station of the Shatin to Central Link upon the latter's completion in around 2020. The Hong Kong Trade Development Council is, at the Government's invitation, working on the preliminary design of the centre.

9. We will continue to support the work of the EDC and its Working Groups. We look forward to their submission to the Government of more specific recommendations for promoting the development of industries.

Economic and Trade Relations with the Mainland and Regional Co-operation

“Mainland and Hong Kong Closer Economic Partnership Arrangement” (CEPA)

Seeking to enrich the content of CEPA, with a view to securing for our businesses better access to the Mainland market

10. The Central Government announced in 2011 to basically achieve liberalisation of trade in services between the Mainland and Hong Kong by the end of the National 12th Five-Year Plan period. The Agreement between the Mainland and Hong Kong on Achieving Basic Liberalisation of Trade in Services in Guangdong (“the Guangdong Agreement”) signed in 2014 achieved this goal in advance in Guangdong in the form of early and pilot implementation and it was the first free trade agreement drawn up by the Mainland with pre-establishment national treatment and in the form of negative list. On the basis of the Guangdong Agreement, the Agreement on Trade in Services (“the Agreement”) signed in November 2015 further enhances the liberalisation in both breadth and depth, including extending the implementation of the majority of Guangdong pilot liberalisation measures to the whole Mainland; reducing the restrictive measures in the negative list; and adding a number of liberalisation measures in the positive lists for cross-border services as well as cultural and telecommunications services. The Agreement will basically achieve liberalisation of trade in services between the Mainland and Hong Kong, enabling both sides to reach a new milestone after the continuous liberalisation of trade in services through CEPA over the years.

Working with the Mainland authorities through the CEPA Joint Working Group to assist our businesses in using CEPA to tap the Mainland market

11. Since the introduction of CEPA, the Mainland and Hong Kong have been maintaining close liaison through established mechanisms at central, provincial and municipal levels on CEPA implementation. The Chief Executive announced in his 2013 Policy Address that an additional Joint Working Group would be established to enhance the mechanism for the implementation of CEPA. Since the establishment of the CEPA Joint Working Group, meetings had been held in Guangzhou, Shanghai, Chongqing and Beijing. Representatives from the HKSAR Government, Central ministries as well as the relevant provincial/municipal governments took part in the meetings and discussed concrete measures to resolve problems encountered by the trade. Both sides reached consensus to continue promoting the effective implementation of CEPA and facilitating Hong Kong enterprises in gaining access to the Mainland market.

Supporting Hong Kong enterprises to develop the Mainland market

Supporting Hong Kong enterprises to develop brands, upgrade and restructure operations, and explore the domestic sales market through the \$1 billion Dedicated Fund on Branding, Upgrading and Domestic Sales

12. To help enterprises capitalise on the opportunities arising from the National 12th Five-Year Plan, the Government introduced in June 2012 a \$1 billion Dedicated Fund on Branding, Upgrading and Domestic Sales (the BUD Fund) to assist Hong Kong enterprises from all sectors in furthering their development in the Mainland through developing brands, upgrading and restructuring their operations and promoting domestic sales in the Mainland. The BUD Fund comprises the “Enterprise Support Programme” and the “Organisation Support Programme”, which provide funding support to eligible enterprises and non-profit-distributing organisations (e.g. trade and industrial organisations, professional bodies or research institutes) respectively.

13. In general, the BUD Fund has been operating smoothly. As at the end of November 2015, 369 applications from enterprises have been approved, involving a funding amount of about \$160 million. Another 4 applications have been approved with conditions. On the other hand, 46 applications from organisations have been approved, involving a funding amount of around \$149 million. We will continue to improve the operation and implementation details of the BUD Fund, and carry out promotional and publicity activities.

14. The TID and our offices in the Mainland would continue to regularly disseminate information to Hong Kong enterprises to keep them abreast of various new policies and regulations and the latest business environment in the Mainland. The Hong Kong Trade Development Council (HKTDC) and Hong Kong Productivity Council would also continue to provide Hong Kong enterprises with support services on technological upgrading, management enhancement, branding and market development, etc., as well as information on the Mainland market. Moreover, we will continue to maintain a close dialogue with the trade and liaise closely with the relevant Mainland authorities at all levels to reflect the trade's views and concerns.

15. Last year, the Beijing Office staged a series of events bearing the theme of "Creative Hong Kong" in Tianjin in June 2015. The Chengdu Economic and Trade Office also organised a Hong Kong Festival in Xi'an in September. The HKTDC continued to expand its network of "Design Gallery" shops in various Mainland cities. Our offices in the Mainland and the HKTDC would continue work on these fronts in the coming year, in order to assist Hong Kong enterprises in building up their brand image and brand awareness in the Mainland and developing the domestic sales market.

Continuing to support Hong Kong enterprises (in particular small and medium enterprises (SMEs)) through various measures

16. We would continue to support Hong Kong enterprises (in particular SMEs) through various measures. These measures include funding schemes administered by the TID, namely, the SME Loan Guarantee Scheme, SME Export Marketing Fund and SME Development Fund, which assist SMEs in securing finance, exploring export market opportunities and enhancing their overall competitiveness. The above SME funding schemes have been well-received by the trade since their establishment in 2001. To provide continued support to SMEs, the Government increased the approved commitment for the SME Export Marketing Fund (EMF) and the SME Development Fund (SDF) from \$3.75 billion to \$5.25 billion in July 2015, and implemented enhancement measures to both funds with a view to further increasing the competitiveness of SMEs and assisting them in expanding export markets. As regards the special concessionary measures under the SME Financing Guarantee Scheme (SFGS) administered by the Hong Kong Mortgage Corporation Limited (HKMC), the application period will be open until the end of February 2016¹. As at the end of November 2015, over 10 600 applications have been approved under the special concessionary measures, involving a total loan guarantee amount of about \$34.4 billion. The Government will continue to review the support measures for SMEs from time to time to ensure that timely and adequate support would be provided to the trade.

¹ The HKMC launched the time-limited special concessionary measures under the SFGS on 31 May 2012 to provide 80% loan guarantee at a concessionary fee rate. The Government provides a total loan guarantee commitment of \$100 billion. The application period for the special concessionary measures was originally nine months until end of February 2013, which was subsequently extended thrice to end February 2016.

Regional co-operation

Strengthening exchanges and co-operation between Hong Kong and Taiwan in trade, tourism, etc. through the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council and the Hong Kong Economic, Trade and Cultural Office in Taiwan

17. Hong Kong and Taiwan have established close trade relations. For merchandise trade, in 2014, Hong Kong and Taiwan were each other's fourth largest trading partner, with total bilateral merchandise trade amounting to over HK\$379.5 billion. For trade in services, Taiwan was Hong Kong's fifth largest trading partner in 2013, with the total value of trade in services amounting to over HK\$56.7 billion. The Government is committed to strengthening economic and trade co-operation between the two places in areas such as trade, investment and tourism.

18. A comprehensive and institutionalised economic and trade co-operation arrangement between Hong Kong and Taiwan could provide certainty in policies and strengthen confidence of investors. We would continue to follow-up with the Taiwan side on this matter through the platform of the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council (ECCPC) and Taiwan-Hong Kong Economic and Cultural Co-operation Council (THEC).

Encouraging investment in Hong Kong

Encouraging more enterprises from the Mainland, Taiwan and overseas (including the Association of Southeast Asian Nations and other countries along the "Belt and Road") to invest in Hong Kong and strengthening aftercare services to encourage those enterprises already established in Hong Kong to upgrade their presence. We will continue to attract global start-ups to set up business in Hong Kong and to promote Hong Kong as a leading hub for startups and entrepreneurship

19. Over the years, Invest Hong Kong (InvestHK) has strived to encourage and attract companies from the Mainland and overseas to set up or expand their business operations in Hong Kong. In 2015, InvestHK completed 375 Mainland, Taiwan and overseas investment projects. To attract more Mainland enterprises to establish a presence in Hong Kong,

InvestHK conducted a series of investment promotion seminars in high growth Mainland cities in 2015, including Guangzhou, Wuhan, Suzhou, Hangzhou, Hefei, Jinan and Qinhuangdao. In the coming year, the Mainland market will remain a priority of our investment promotion work. To capitalise on the opportunities arising from the Belt and Road Initiative, InvestHK will continue its efforts to promote Hong Kong as an ideal platform for Mainland companies to go global and expand their business internationally. It will organise investment promotion seminars, targeting the fast-growing cities in the inland as well as coastal provinces.

20. With the support of the Investment Promotion Unit in the Hong Kong Economic, Trade and Cultural Office in Taipei, InvestHK has been strengthening its promotion efforts in Taiwan to attract more businesses to set up in Hong Kong. In the past year, it has fostered partnership with the Taiwan business community through organising seminars, company visits and promotional events in different cities in Taiwan. In November 2015, InvestHK organised a joint seminar with Jiangmen in Taichung to brief the business community there on the latest economic developments in Hong Kong and Jiangmen. InvestHK will reach out to a wider spectrum of Taiwanese enterprises, including those already with a presence in Hong Kong, so as to identify more potential Taiwan investors to set up or expand their businesses in Hong Kong.

21. In 2015, InvestHK continued its investment promotion work in the key emerging markets especially those economies along the Belt and Road, including Southeast Asia, India and Israel. Such work include, for example, investment promotion seminars held in markets such as India, Malaysia, Indonesia and the Philippines to promote the business advantages of Hong Kong.

22. To capitalise on the opportunities developing in Hong Kong's fast-growing startup sector and to provide a one-stop service platform to overseas startups with global ambitions, InvestHK launched a startup initiative, the StartmeupHK programme, in 2013 to attract innovative and scalable entrepreneurs to Hong Kong, provide a one-stop service platform to support startups setting up in the city, promote Hong Kong as a premier startup destination and help build our ecosystem to transform the city into an attractive destination and hub for the best and brightest entrepreneurs from around the world. InvestHK will host the StartmeupHK Festival

2016 from 23 to 30 January 2016, when leading accelerators, corporates and associations will hold a series of thematic conferences and pitching events covering areas such as the Internet of things (IoT), financial technology (fintech), health technology and data analytics, in which Hong Kong has a distinct competitive advantage.

23. To ensure companies already established in Hong Kong have all the support they need to expand their business operations, InvestHK has continued to proactively approach these companies to provide them with ongoing aftercare support services. In the coming year, InvestHK will continue to strengthen these services to help multinational companies in Hong Kong expand their business operations and encourage them to locate their regional or global headquarters in Hong Kong.

Economic and Trade Relations with Overseas Countries

Seeking to enter into trade arrangements and investment agreements with more overseas economies and continuing to participate in the negotiations for a trade in services agreement to secure for our businesses better access to those markets

24. The multilateral trading system embodied in the World Trade Organization (WTO) is the cornerstone of Hong Kong's external trade policy. Hong Kong participates actively in the WTO to secure maximum market access for Hong Kong's exports of goods and services to international markets.

25. To maintain Hong Kong's international profile, boost trade and investment, generate job opportunities, and enhance long-term economic development, we have been actively pursuing free trade agreements (FTAs) with our trading partners. Hitherto, Hong Kong has signed three FTAs with overseas economies², covering Hong Kong's strategic markets in different parts of the world. We will continue to reach out to other economies and expand our FTA network. Furthermore, Hong Kong will continue to participate actively in the Trade in Services Agreement (TISA)³ negotiation to take forward the liberalisation of trade in services.

² The relevant economies are New Zealand, the European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland) and Chile.

³ As of December 2015, the 23 WTO Members participating in the TISA negotiation are

26. Hong Kong has also been pursuing Investment Promotion and Protection Agreements (IPPA) with other economies to enhance investment flows and boost our economy. So far, Hong Kong has signed 17 IPPAs with overseas economies⁴, and concluded IPPA negotiations with Canada, Bahrain and Myanmar. Hong Kong is liaising with Canada on the signing of the IPPA. Hong Kong will also sign the two IPPAs with Bahrain and Myanmar after completion of the necessary internal procedures by parties concerned.

27. In 2016, Hong Kong will continue IPPA negotiations with the Russian Federation and the United Arab Emirates. We will also continue investment agreement negotiations with Chile under the FTA with Chile. Besides, both Hong Kong and Mexico intend to commence IPPA negotiations in 2016. We will continue our efforts to forge more IPPAs with other economies.

Continuing the negotiation of a free trade agreement with the Association of Southeast Asian Nations with a view to concluding the negotiation by 2016, thereby securing for our businesses more favourable access to the relevant markets

28. The FTA negotiation between Hong Kong and the Association of Southeast Asian Nations (ASEAN) commenced in July 2014 and is progressing smoothly. We will endeavour to conclude the negotiation this year. The 10 member states of ASEAN collectively is Hong Kong's second largest trading partner in goods and fourth largest in services. The FTA will enable our goods, services and investments to access the ASEAN market under more favourable conditions. It will enhance trade and investment flows between Hong Kong and ASEAN, generate new opportunities for our businesses, and strengthen Hong Kong's position as an international trade, commerce and financial centre.

Australia, Canada, Chile, Chinese Taipei, Colombia, Costa Rica, the European Union, HKC, Iceland, Israel, Japan, Korea, Liechtenstein, Mauritius, Mexico, New Zealand, Norway, Pakistan, Panama, Peru, Switzerland, Turkey and the United States.

⁴ The relevant economies are the Netherlands, Australia, Denmark, Sweden, Switzerland, New Zealand, Italy, France, Germany, Belgo-Luxembourg Economic Union, Austria, Japan, Korea, the United Kingdom, Thailand, Finland, and Kuwait.

Strengthening economic ties and co-operation with countries along the “Belt and Road” and other emerging economies by promoting high-level reciprocal visits and exploring trade arrangements and investment agreements

29. To expand business opportunities for our enterprises, the Government endeavours to strengthen economic ties and co-operation with economies along the “Belt and Road” and other emerging markets. We also actively seek to forge FTAs and IPPAs with them to secure more favourable access to markets for Hong Kong goods, services and investments. In this connection, the Secretary for Commerce and Economic Development visited Chile and Mexico in August 2015 to strengthen trade and investment ties with the two countries. During the visit, Hong Kong and Mexico announced their shared intent to commence negotiations on an IPPA in 2016. The Chief Executive led a delegation, including related industry leaders and academics, to visit Israel in October 2015 to learn more about the development of innovation and technology there and strengthen the bilateral economic and trade relations.

Enhancing Wine Trading

Supporting wine trading and distribution businesses in Hong Kong, riding on growing demand across Asia

30. Hong Kong continues to play the role as the regional wine trading and distribution hub. In the first 11 months of 2015, wine imports amounted to about \$9.5 billion. This represented a growth of 24.6% over the same period in 2014. During the same period in 2015, wine re-exports amounted to about \$4.2 billion. This represented a growth of 92.6% over the same period in 2014.

31. In 2016, we will continue a number of supportive measures, including the customs facilitation scheme for wine re-exports into the Mainland as expanded in scope last year, and to strengthen the Mainland promotion of Hong Kong's role as the regional wine hub. These help the industry grasp the business opportunities. We will also promote major wine trade and investment related events, including the world-renowned wine exhibition Vinexpo Hong Kong 2016 (to be hosted in town for the seventh time in a row), the eighth Wine and Dine Festival and the HKTDC's ninth Hong Kong International Wine & Spirits Fair.

Intellectual Property (IP)

Continue to work with stakeholders on the implementation of measures to develop and promote Hong Kong as a premier intellectual property trading hub in the region

32. In March 2015, the Working Group on IP Trading released its report with 28 recommendations to promote the development of Hong Kong as a regional IP trading hub. The Government accepted the report and has been working with stakeholders on the implementation of measures, including-

- launching an IP Consultation Service Scheme to provide free initial IP advice to small and medium enterprises (SMEs);
- launching an IP Manager Scheme and sponsoring IP manpower training;
- facilitating the provision of highly specialised IP intermediary services (such as IP valuation and due diligence, and IP arbitration and mediation); and
- launching of promotion and public education campaigns.

Working to develop and implement an “Original Grant” Patent System that would be commensurate with our efforts to develop Hong Kong into a regional innovation and technology hub

33. We introduced the Patents (Amendment) Bill 2015 into the Legislative Council in November 2015 to provide for the legal framework of the “original grant” patent system (OGP). We are assisting the Bills Committee in scrutinizing the Bill. Subject to the progress of the legislative exercise and other implementation work, we tentatively aim at launching the OGP system in 2017 at the earliest.

Supporting Retail Manpower Development

Further pursuing measures to help alleviate the manpower tightening problem of the retail industry

34. In 2014, the Government announced the earmarking of \$130 million to implement three new measures for the manpower development of the retail industry.

35. These measures have been rolled out smoothly: (a) “Earn & Learn Pilot Scheme for the Retail Industry” introduced by the Vocational Training Council (VTC) together with the trade. As at December last year, over 450 student workers had been recruited. The scheme helps ease the manpower tightening problem of the industry, and attract aspiring youngsters to join the retail workforce ; (b) assisting retail enterprises (in particular medium and small ones) in enhancing productivity, through the “Retail Technology Adoption Assistance Scheme for Manpower Demand Management” (ReTAAS). As at end-November last year, 95 applications involving about \$3.23 million were funded; and (c) an industry promotion campaign to project a positive image of the industry with a view to attracting new blood. Under the campaign, two Announcements of Public Interest (APIs), a retail portal and a Facebook page had been rolled out since mid last year. We will continue to implement the measures in 2016.

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