

Legislative Council Panel on Commerce and Industry

2019 Policy Address

Policy Initiatives of

Commerce, Industry and Tourism Branch,

Commerce and Economic Development Bureau

Our Vision

In the past year, Hong Kong economy faced external and domestic challenges. On external economic factors, the escalating trade conflict between the Mainland and the United States (US) has dampened global economic growth momentum and brought direct and indirect negative impacts on Hong Kong economy. The total export of Hong Kong has been decreasing since last November, with a year-on-year decrease of 4.3% in the first eight months of this year. The average economic growth of Hong Kong in the first half of this year was 0.5%, the worst performance since the 2009 recession. Until the trade conflict between the Mainland and the US subsides, our economy, especially the part which is driven by foreign investment, will continue to face negative pressure and the downturn risk on the overall economy will persist.

2. On domestic challenges, the persisting protests and social unrest have caused serious impact on domestic economic activities. Apart from the tourism and related sectors, local consumption has also been hit hard due to disruption to law and order, and business operation and the labour market have been facing pressure for a few months. If conflict persists,

our economic performance will inevitably be further damaged.

3. The Government has announced various measures in the past two months to assist businesses in reducing operating costs, financing, developing markets, etc. The Financial Secretary and the relevant policy bureau directors introduced two rounds of measures to support enterprises and preserve employment on 15 August and 4 September respectively. In the past few months, the Secretary for Commerce and Economic Development also contacted different sectors to listen to their suggestions on measures to support enterprises and to revitalise the economy, and, together with the relevant departments, further responded and introduced measures at appropriate time to help the business sector sail through the storm. We will continue to monitor the economic situation closely, and will introduce new measures when necessary. We will brief the Legislative Council at appropriate time, especially on measures requiring additional resources for which we will seek funding approval from the Council.

4. The ensuing paragraphs brief the progress of the relevant policy initiatives in the Policy Address 2019. The Government will continue to capitalise on our advantages under “one country, two systems”, ideal geographical location, free and open market, highly efficient and transparent regulatory regimes, reputable legal system, as well as a business environment highly compatible with international standards, to seize the opportunities and tackle the challenges arising from the economic development of the world and our Motherland, as well as to assist the trade in diversifying business activities, developing markets and

establishing partnership.

Enhance the Support for Small and Medium Enterprises (SMEs)

5. To assist enterprises in embracing the challenge of the external economic environment and enhancing the resilience in the prevailing economic environment, the Government announced in August and September 2019 a series of measures to support the trade, including-

- (a) injecting \$2 billion¹ into the BUD Fund for extending the geographical coverage of the funding scheme to all economies with which Hong Kong has signed free trade agreements (FTAs), and increasing substantially the cumulative funding ceiling per enterprise to \$4 million to support enterprises in exploring the development opportunities in the Mainland and FTA partners;
- (b) injecting \$1 billion into the Export Marketing and Trade and Industrial Organisation Support Fund to double the cumulative funding ceiling for each enterprise under the SME Export Marketing Fund (EMF) to \$800,000, as well as enhance the operation of the EMF to provide more comprehensive support to SMEs to participate in business missions organised by the Government and related organisations for market expansion;

¹ Including injection of \$1 billion into the BUD fund announced in the Budget in February 2019 and injection of another \$1 billion announced on 15 August 2019 by the Financial Secretary.

- (c) extending the application period of the special concessionary measures under the SME Financing Guarantee Scheme (SFGS) (i.e. 80% guarantee product) and the validity period of the three enhancement measures² introduced in 2018 to 30 June 2022;
- (d) introducing a new relief measure under the SFGS and the SME Loan Guarantee Scheme where enterprises may apply for principal moratorium for a maximum of 12 months, during which only interest payments have to be made; and
- (e) introducing a new loan guarantee product under the SFGS, under which the Government will provide 90% guarantee for approved loans to help smaller-sized enterprises and business with relatively less operating experience, as well as professionals seeking to set up their own practices to obtain financing.

6. Since the introduction of enhancement measures to the BUD Fund, EMF and the 80% guarantee product in 2018, there has been marked increase in the application numbers and approved funding amount, a testimony that the measures could effectively support the SMEs:

- (a) **BUD Fund:** Since the introduction of enhancement measures in August 2018, the number of applications received and funding approved from the fourth quarter of 2018 to the third quarter of

² Including (a) reducing the guarantee fee rates by 50%; (b) increasing the maximum facility amount from \$12 million to \$15 million; and (c) lengthening the maximum loan guarantee period from five years to seven years.

2019 increased respectively by more than 120% and 210% year-on-year.

- (b) **EMF:** Since the introduction of enhancement measures in August 2018, the number of applications received and funding approved from the fourth quarter of 2018 to the third quarter of 2019 increased respectively by about 50% and 110% year-on-year.
- (c) **80% guarantee product:** Since the introduction of enhancement measures in November 2019, the number of applications approved and the amount of loans involved in the first 9 months of 2019 increased by 70% and 107% year-on-year.

We plan to seek funding approval from the Finance Committee of the Legislative Council before the end of this year for implementation of the new support measures mentioned in (a), (b) and (e) above.

7. Also, in response to suggestions raised by various business associations and the trade, the Government will further improve the various funding schemes, including simplifying application procedures, shortening processing time and removing barriers such as relaxing the funding cap of individual expenditure items, etc. We will also provide a larger proportion of initial payment to approved applicants under the BUD Fund and the EMF so that they can commence their projects as soon as possible.

8. In addition, with a view to strengthening support to SMEs and raising awareness of existing funding schemes, the Government has consolidated the services of existing SME Centres on 1 October 2019, including the "Support and Consultation Centre for SMEs" under the Trade and Industry Department, the "SME Centre" under the Hong Kong Trade Development Council (HKTDC), the "SME One" under the Hong Kong Productivity Council, and the "TecONE" under the Hong Kong Science and Technology Parks Corporation, to provide "four-in-one" integrated services so that enterprises can obtain information of all funding schemes at any service points mentioned above. A one-stop referral system has also been set up to answer enterprises' enquiries with a view to providing better tailored services. At the same time, the Government is reaching out to SMEs by visiting local trade and industrial associations to promote the schemes. A dedicated service team will also be formed to support enterprises to apply for funding support through suitable schemes.

Leveraging Hong Kong's International Commerce, Investment and Professional Platform in Pursuing the Belt and Road Initiative

9. A Joint Conference mechanism has been set up under the "Arrangement between the National Development and Reform Commission and the Government of the Hong Kong Special Administrative Region for Advancing Hong Kong's Full Participation in and Contribution to the Belt and Road Initiative" (the Arrangement) signed in December 2017. A Mainland and Hong Kong Belt and Road Task Group has been established with the Ministry of Commerce

(MofCom) under the Mainland and Hong Kong Economic and Trade Co-operation Committee. The first two meetings of the Belt and Road Joint Conference were convened respectively in June last year and July this year in Beijing to co-ordinate and follow up on the implementation of measures set out in the Arrangement. The first high-level meeting of the Task Group was also held in December last year to co-ordinate Belt and Road (B&R) related matters in the trade and economic co-operation areas of the Mainland and Hong Kong.

10. Through the above direct communication platforms, we will seek to enhance co-operation on areas such as capacity building with the relevant Mainland authorities. Under the capacity building initiative, a series of thematic seminars, exchange sessions and site visits, etc., will be organised in Hong Kong to strengthen professional and experience exchanges in the relevant policy areas for enhancing the professionalism of both sides.

11. Besides collaboration at the government-to-government level, Hong Kong businesses can utilise their expertise in assisting in equipping and enhancing the professional knowledge and experience of related countries and regions. For example, the MTR Corporation has been involved in the development and operation of railway and related projects in Hong Kong, the Mainland and overseas over the years, and has extensive experience in training personnel in railway management and operation worldwide. We will encourage the MTR Academy to explore with the China International Development Cooperation Agency collaboration opportunities on human resources

development.

12. We will continue organising overseas business and professional missions in conjunction with the relevant Mainland authorities and HKTDC etc., for exploring potential investment or development projects; promoting Hong Kong's distinctive edge in professional services; encouraging both Mainland and overseas enterprises to establish their regional headquarters in Hong Kong which can serve as a springboard for B&R markets; as well as supporting HKTDC to explore for Hong Kong enterprises business opportunities arising from the Mainland's overseas Economic and Trade Co-operation Zones (ETCZs) and seeking the policy support of the relevant Central authorities to extend the incentives and facilitations currently enjoyed by Mainland enterprises to Hong Kong enterprises intending to set up businesses in these ETCZs at the same time. The above efforts will support enterprises to better meet the challenges brought about by changes in the international trade environment.

13. The Government will continue its efforts in establishing facilitating platforms, including organisation of the annual Belt and Road Summit. The fourth Belt and Road Summit co-organised with the HKTDC in September this year was joined by around 5,000 participants from 69 countries and regions, with more than 700 business-matching meetings with over 240 investment projects arranged. The "Belt and Road Week" was also held for the first time. Besides, we staged various exchange sessions in conjunction with the State-owned Assets Supervision and Administration Commission of

the State Council and the MofCom in August and November last year, and February and June this year. These sessions to encourage collaboration amongst enterprises in Hong Kong and the Mainland, as well as the professional services sector will continue. To further promote project participation, we had also engaged the HKTDC to enhance its Belt and Road Portal into a more comprehensive and up-to-date one-stop B&R platform. The enhanced Portal has come into operation since July this year, featuring overview of more countries with more project and market information.

Expansion of Network of Free Trade Agreements and Investment Agreements

14. To help Hong Kong enterprises and investors expand their markets in order to reinforce Hong Kong's status as an international trade and investment hub, we have been actively seeking to negotiate and forge FTAs and investment agreements with our trading partners, including economies with strong economic and trade connections with Hong Kong as well as markets with development potentials or at strategic locations, so as to further establish Hong Kong's worldwide network of economic and trade connections.

15. So far, Hong Kong has signed eight FTAs with 20 economies³. The latest one was signed with Australia in this March, which is the fourth FTA signed in this term of Government. The FTA signed between Hong

³ Including: Mainland China (signed in 2003); New Zealand (2010); European Free Trade Association (viz. Iceland, Liechtenstein, Norway and Switzerland) (2011); Chile (2012); Macao (2017); Association of Southeast Asian Nations (viz. Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) (2017); Georgia (2018) and Australia (2019).

Kong and the Association of Southeast Asian Nations (ASEAN) has gradually come into force since this June⁴. We are seeking to forge FTA with the Pacific Alliance⁵, and exploring with the United Kingdom options for forging even closer economic ties, including the possibility of a future FTA. We also plan to seek accession to the Regional Comprehensive Economic Partnership after completion of negotiations by ASEAN and relevant economies⁶, in accordance with the terms on accession of new members therein.

16. In addition to FTAs, Hong Kong has also signed 21 investment agreements⁷ with 30 overseas economics so far, including the latest one with the United Arab Emirates signed in this June. We have concluded investment agreement negotiation with Bahrain and Mexico respectively, while the respective negotiations with Russia and Turkey are underway.

Setting up additional Hong Kong Economic and Trade Offices

17. To consolidate and enhance Hong Kong's status and importance among our trading partners, as well as to further explore new business opportunities, we have been actively carrying out preparatory work for setting up additional overseas Economic and Trade offices (ETOs). The

⁴ The parts relating to Hong Kong and six ASEAN Member States (namely Laos, Malaysia, Myanmar, Singapore, Thailand and Viet Nam) under the FTA have entered into force. The remaining four ASEAN Member States (namely Brunei Darussalam, Cambodia, Indonesia and the Philippines) aim to complete their relevant internal procedures by the end of this year to allow full implementation of the agreement.

⁵ Members of the Pacific Alliance are Chile, Colombia, Mexico and Peru, which together account for nearly 40% of the gross domestic product of the whole Latin America.

⁶ I.e. Australia, Mainland China, India, Japan, Korea and New Zealand.

⁷ Including ten ASEAN countries, Australia; Austria; the Belgo-Luxembourg Economic Union; Canada; Chile; Denmark; Finland; France; Germany; Italy; Japan; Korea; Kuwait; the Netherlands; New Zealand; Sweden; Switzerland; Thailand (an ASEAN Member State); the United Arab Emirates; and the United Kingdom.

new Bangkok ETO in Thailand commenced operation in February 2019. It is the 13th overseas ETO of Hong Kong and the third one established in the ASEAN region. We also expect that the Dubai ETO in the United Arab Emirates would commence operation in end 2019/early 2020, and become the second new ETO to be established by the current-term Government after the Bangkok ETO. For the proposal to set up additional ETOs in Moscow (Russia), Mumbai (India) and Seoul (Korea), we will continue to discuss with the relevant governments on the detailed arrangements.

Strengthening Investment Promotion

18. Invest Hong Kong (InvestHK) has been adopting a proactive and targeted strategy in attracting and assisting overseas and Mainland companies (including startups) to set up operations in Hong Kong, and explore new markets via Hong Kong.

19. According to a recent survey conducted by InvestHK and the Census and Statistics Department, the number of business operations in Hong Kong with parent companies overseas or in Mainland China has exceeded 9 000. Among them, 1 541 have set up regional headquarters in Hong Kong. It represents an increase of 9.9% and 9.1% respectively over 2017. In addition, the latest survey shows that the number of startups in Hong Kong has seen an even more encouraging growth of 42.8% to 3 184 during the two-year period between 2017 and 2019. These startups employed over 12 400 persons, an increase of 97.4% over 2017.

20. InvestHK will strengthen its work, including by launching major media and social media campaigns to deepen investors' understanding of Hong Kong.

Seek to Enhance and Enrich the Content of CEPA and Assist Entreprises in Developing Domestic Sales

21. The Agreement on Trade in Goods signed under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) has been implemented since 1 January 2019. Goods of Hong Kong origin imported into the Mainland are subject to zero tariffs, further facilitating the flow of goods between the two places. CEPA has become a comprehensive FTA, covering trade in goods, trade in services, investment and economic and technical cooperation. In addition, we are now in discussion with the Ministry of Commerce on the specific proposals to further liberalise trade in services with a view to creating more favourable conditions for Hong Kong enterprises and professionals to access the Mainland market, including the Greater Bay Area.

22. To capitalise on the opportunities brought about by the national strategy of promoting domestic consumption, we are seeking the policy support of the relevant Central authorities for, among other things, tax concessions for Hong Kong enterprises wishing to shift from exports to domestic sales and streamlining of the approval process, with a view to assisting enterprises in developing domestic sales.

Expansion of Convention and Exhibition Facilities

23. The Convention and Exhibition (C&E) industry is vital to Hong Kong as an international business and trading centre. In order to reinforce the advantages of the C&E industry of Hong Kong, we are actively proceeding with the redevelopment of the sites of the three government towers in Wan Chai North and Kong Wan Fire Station into C&E facilities, hotel and office. We are constructing as planned a number of new government buildings in various districts to relocate the government departments and law courts concerned. The sites are expected to be vacated by 2026 at the earliest for demolition and redevelopment. We are working at full steam on technical assessments and design, and will consult stakeholders and conduct town planning procedures as soon as possible.

24. In addition, the Airport Authority (AA) conducted a consultancy study on the Phase Two expansion of AsiaWorld-Expo and is reviewing the study result. The Government will discuss with AA the expansion plan.

Supporting the Professional Services Sector

25. The Professional Services Advancement Support Scheme, which covers a wide range of professional services and has so far funded over 50 projects, will continue to provide financial support for projects undertaken by Hong Kong's trade and industrial organisations, professional bodies and research institutes on exchanges, publicity and enhancement of

professional standards. We encourage eligible bodies and organisations to make greater use of the Scheme, so as to assist Hong Kong's professional services in tapping business opportunities in external markets.

Taking forward the Trade Single Window project

26. We have been pressing ahead with the development of the Trade Single Window (TSW) to provide a one-stop electronic platform for the lodging of various types of import and export trade documents with the Government for trade declaration and customs clearance purposes. We will roll out the TSW in three phases. Phase 1, which was rolled out in December 2018, covers 10 types of trade documents (mainly licences for the import and export of certain controlled products) and is expected to cover three more in the months ahead. The trade is welcome to submit the relevant documents through the TSW. We plan to consult the Panel in early 2020 on the funding proposal for Phase 2, which will further extend the TSW to cover 28 more types of trade documents. We will closely engage the trade to ensure that the system will be user-friendly and meet users' needs, and that the preparation work can fully take into account the views of the trade.

Enhancing Cargo Clearance Efficiency

27. The Customs and Excise Department (C&ED) has been sparing no efforts in taking forward various measures, including the Single E-Lock Scheme (SELS) and the Authorized Economic Operators (AEO)

Programme, to enhance cargo clearance efficiency and expedite cargo flow. In the case of SELS⁸, the number of SELS clearance points in the Guangdong Province has been increased to 52 since May 2019, including 43 which cover all nine Mainland municipalities in the Greater Bay Area. The expansion is instrumental in streamlining the clearance process and speeding up cross-boundary cargo flow. In the case of the AEO Programme⁹, Hong Kong has concluded Mutual Recognition Agreements (MRA) with two more economies in 2019, thus bringing the number of MRAs signed by Hong Kong to a total of 11 and allowing our accredited traders to enjoy customs facilitation in a wider network of economies. Going forward, C&ED will continue to promote these schemes to the trade, and encourage the relevant stakeholders to make good use of the schemes to seize business opportunities and tap the potential of the respective markets. C&ED will also take active steps to further extend Hong Kong's MRA network.

Enhancing the Intellectual Property (IP) regime

28. We will continue to enhance our IP regime to meet Hong Kong's socio-economic needs.

⁸ By using technology (electronic lock and GPS equipment), SELS seeks to reduce repeated inspection by the customs authorities of Guangdong and Hong Kong on the same shipment of inter-modal cargoes between the two places, thereby enhancing cross-boundary cargo flow and expediting cargo clearance.

⁹ Under the Hong Kong AEO Programme, accredited traders may enjoy customs facilitation (such as reduced inspection and prioritised clearance) for their cargoes in Hong Kong and in other economies which have entered into MRAs with Hong Kong, thereby facilitating seamless cross-boundary movement of goods throughout the supply chain.

(a) Launching the “original grant patent” (OGP) system

We will launch an OGP system and a refined short-term patent system (collectively referred to as the “new patent system”) in Hong Kong on 19 December 2019. Under the OGP system, a patent applicant may file a standard patent application directly in Hong Kong, thereby dispensing with the existing requirement for prior filing of a corresponding application in one of the designated patent offices outside Hong Kong. The launch of the new patent system will facilitate the long-term development of Hong Kong as an innovation and IP trading hub.

(b) Implementing the international registration system under the “Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks” (Madrid Protocol)

We introduced a bill into Legislative Council in February 2019 to amend the Trade Marks Ordinance to empower the Registrar of Trade Marks to make the essential procedural rules for implementing the Madrid Protocol in Hong Kong. The bill also seeks to update certain current provisions of the Ordinance and confer powers on the C&ED for enforcing the criminal provisions under the Ordinance. The Bills Committee completed scrutiny of the bill in May 2019. To conclude the legislative exercise early, we plan to resume Second Reading debate on the bill in November 2019. Subject to the progress of other related tasks (such as amending the subsidiary legislation

and establishing the IT system required), the Madrid Protocol can be applied to Hong Kong in 2022-23 the earliest.

(c) Amending the Copyright Ordinance to enhance the copyright exceptions for persons with print disabilities

We will amend the Copyright Ordinance to enhance the copyright exceptions for persons with print disabilities to meet the requirements under the “Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled”. The proposal was supported by the Panel. We plan to introduce the amendment bill into the Legislative Council in Q4 2019.

Moreover, we will continue to implement various measures to strengthen Hong Kong’s position as an IP trading hub in the Asia-Pacific region. Such measures include holding the Business of IP Asia Forum and providing free consultation service and capacity building for SMEs.

29. The Policy Address sets out in detail many other proposals on promoting economic development and developing tourism. The Government will also brief other Panels of Legislative Council on proposals of relevance to them. We will not repeat such proposals here.

Commerce, Industry and Tourism Branch

Commerce and Economic Development Bureau

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