

Legislative Council Panel on Commerce and Industry

**2017 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

Improved Economic and Trade Office Network

Prepare for the establishment of a new Hong Kong Economic and Trade Office (ETO) in Seoul to strengthen our bilateral ties and commence preliminary work for setting up new ETOs in other major trading entities to further expand the ETOs' network.

2. At present, we have 12 overseas ETOs. To enhance trade and cultural exchanges with Korea, the Government is actively discussing with the Korean Government on the arrangements for setting up an ETO in Seoul.

3. The Government also plans to set up new ETOs in India, Mexico, Russia, South Africa and the United Arab Emirates in order to further expand the ETOs' network and strengthen promotion work outside Hong Kong.

Convention and Exhibition

4. The convention and exhibition industries can help promote the export trade of Hong Kong, facilitate the development of the products and services industries and attract overnight business travellers to Hong Kong. The findings of a consultancy study show that there will be a shortfall of some 130,000 square metres of convention and exhibition venues at peak periods by 2028. As such, to ensure that our convention and exhibition industry will not lag behind, we must have well-conceived medium and long-term planning, carry out relevant studies and implement extension plan.

5. In this connection, the Government has adopted the recommendation of the Working Group on Convention and Exhibition Industries and Tourism under the Economic Development Council to construct a convention centre above the Exhibition Station of the Shatin to Central Link upon the latter's completion in around 2020. The Hong Kong Trade Development Council (TDC) is, at the Government's invitation, working on the preliminary design of the centre.

6. The Government further proposes to use the Wan Chai Sports Ground for comprehensive development in 2019 at the earliest. Apart from convention and exhibition venues, the development proposal will comprise trendy and novel recreational and sports facilities for use by the public. The TDC will conduct a feasibility study on this proposal. The Government will consult the Wan Chai District Council and other stakeholders on this proposal in due course.

On-going initiatives

Economic Development Commission ("EDC")

Supporting the work of the EDC to continue to study ways to strengthen and broaden our economic base and to identify sectors which present opportunities for Hong Kong's further economic development. The EDC will continue to recommend possible policies and other support measures for the relevant industries for the Government's consideration and implementation

7. 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 policies and other support measures for these industries. The EDC has held 12 meetings and discussed issues related to economic development such as land supply, the National 13th Five-Year Plan as well as the planning vision and strategy "Hong Kong 2030+".

8. The four Working Groups of the EDC (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) have also been actively discussing possible policies and measures to promote the development of relevant industries. Concrete recommendations have been submitted, which were endorsed by the EDC and accepted by the Government.

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 concrete 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 better access to the Mainland market for our businesses and promoting trade and investment between the two places

10. The National 13th Five-Year Plan proposed to step up efforts to further open up the Mainland market to Hong Kong, and promote the upgrading of CEPA. The HKSAR Government is now actively exploring with the Ministry of Commerce to expand and enrich existing measures under CEPA in the areas of investment, economic and technical cooperation etc. so as to further promote trade and investment of the two

places, thereby creating more business opportunities for Hong Kong's trade in the Mainland.

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

11. 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.

12. In general, the BUD Fund has been operating smoothly. As at the end of November 2016, 715 applications from enterprises have been approved, involving a funding amount of about \$261 million. Another 7 applications have been approved with conditions. On the other hand, 58 applications from organisations have been approved, involving a funding amount of around \$191 million. We will continue to improve the operation and implementation details of the BUD Fund, and carry out promotional and publicity activities.

13. 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.

14. In June last year, the Chengdu Economic and Trade Office organised a "Chengdu Hong Kong Festival" in Chengdu. The Liaoning liaison office under the Beijing Office also staged a series of events bearing the theme of "Savouring Hong Kong · Liaoning 2016" in Dalian in August last year. 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

15. 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. As regards the special concessionary measures under the SME Financing Guarantee Scheme (SFGS) administered by the Hong Kong Mortgage Corporation Limited (HKMC), we have extended the application period until the end of February 2017¹, reduced the annual guarantee fee rate for the measures by ten per cent and removed the minimum guarantee fee for the measures. As at the end of November 2016, over 12 700 applications have been approved under the special concessionary measures, involving a total loan guarantee amount of about \$36.3 billion. The Government will continue to review the support measures for SMEs from time to time to ensure that timely and adequate

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 four times to end February 2017.

support would be provided to the trade.

Regional co-operation

Fostering economic and trade exchanges and co-operation between Hong Kong and Taiwan

16. Hong Kong and Taiwan have established close trade relations. For merchandise trade, in 2015, Hong Kong and Taiwan were each other's fourth largest trading partner, with total bilateral merchandise trade amounting to over HK\$339.4 billion. For trade in services, Taiwan was Hong Kong's fifth largest trading partner in 2014, with the total value of trade in services amounting to over HK\$57.4 billion.

17. We would continue to foster economic and trade exchanges and co-operation in different aspects (e.g. trade, investment and tourism etc.) between the two places through the platform of the Hong Kong-Taiwan Economic and Cultural Cooperation and Promotion Council (ECCPC) and Taiwan-Hong Kong Economic and Cultural Co-operation Council (THEC), as well as the Hong Kong Economic, Trade and Cultural Office (HKETCO) established in Taiwan.

Encouraging investment in Hong Kong

Continuing to actively attract foreign enterprises (including those from the members of the Association of Southeast Asian Nations and other countries along the "Belt and Road") to invest in Hong Kong and strengthen aftercare services to encourage those enterprises already established in Hong Kong to upgrade their presence; to encourage more Mainland enterprises to use Hong Kong as a platform to "go global"; and continuing to attract global start-ups to set up businesses in Hong Kong and promote Hong Kong as a leading hub for startups and entrepreneurship

18. 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 2016, InvestHK

completed 391 Mainland, Taiwan and overseas investment projects, and continued its investment promotion work in key emerging markets, especially those along the Belt and Road including Southeast Asia, India and Israel. For example, investment promotion seminars were held in markets such as India, Malaysia, the Philippines, the United Arab Emirates and Israel to promote the business advantages of Hong Kong.

19. To attract more Mainland enterprises to establish a presence in Hong Kong and to make use of Hong Kong as a platform to “go global”, InvestHK conducted a series of investment promotion seminars in high growth Mainland cities in 2016, including Beijing, Xian, Tianjin, Chongqing, Xiamen, Wuhan, Changzhou and Baotou. In the coming year, InvestHK will continue its work on this front.

20. To capitalise on the opportunities developing in Hong Kong’s fast-growing startup sector, InvestHK launched the StartmeupHK programme in 2013 to promote Hong Kong as a premier startup destination, provide a one-stop service platform to support startups and help build our ecosystem to transform the city into an attractive hub for the best and brightest entrepreneurs from around the world. InvestHK hosted the StartmeupHK Festival 2017 on 16 to 20 in January 2017 where a series of thematic conferences and pitching events covering areas in which Hong Kong has a distinct competitive advantage, such as financial technology (fintech), smart city and Internet of things (IoT), health technology and retail and fashion technologies, were held.

21. To ensure companies already established in Hong Kong have all the support they need to expand their business operations, InvestHK 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

22. 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.

23. 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.

24. The FTA negotiation between Hong Kong and the Association of Southeast Asian Nations (ASEAN) is entering into the final stage. Nine rounds of negotiation have been held since July 2014. We will endeavour to conclude the negotiation in early 2017. 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.

25. 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 19 IPPAs with 20 overseas economies³. All these IPPAs, except for the

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

³ The relevant economies are the Netherlands, Australia, Denmark, Sweden, Switzerland,

one signed with Chile in November 2016, have entered into force. Hong Kong has also concluded IPPA negotiations with Bahrain, Myanmar and the United Arab Emirates, all of which will be signed after completion of the necessary internal procedures by parties concerned.

26. In 2017, Hong Kong will continue IPPA negotiations with Iran, Mexico and the Russian Federation. Hong Kong has also been actively liaising with India with a view to commencing IPPA negotiations in 2017. We will continue our efforts to forge more IPPAs with other economies.

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

27. 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, we have commenced FTA negotiations with Georgia and Maldives respectively in September 2016. The Chief Executive led a high-level business delegation to visit India in February 2016 and met with political and business leaders to foster closer bilateral economic and trade relations. During the visit, the Chief Executive also met with the Prime Minister of India, and announced after the meeting that Hong Kong and India will launch negotiations on an IPPA. The Financial Secretary also led a high-level business delegation to Kazakhstan in September 2016 and to the United Arab Emirates and Iran in November 2016 to strengthen bilateral business and economic ties. During the visit to Iran, a Memorandum of Understanding between Hong Kong and Iran on Economic Co-operation was signed.

Belt and Road Office

28. Last year, the Chief Executive appointed the Commissioner for

New Zealand, Italy, France, Germany, Belgo-Luxembourg Economic Union, Austria, Japan, Korea, the United Kingdom, Thailand, Finland, Kuwait, Canada and Chile.

Belt and Road. The Belt and Road Office was also set up on 1 August 2016. After carefully reviewing the operation of the Belt and Road Office and the tasks ahead for the office under the Belt and Road Initiative, we consider it necessary to allocate additional manpower and resources to the office to ensure that it can take forward the work under the Belt and Road Initiative effectively and on a long term basis.

29. In May, the Central Government will host a Belt and Road Forum for International Co-operation in Beijing, the highest-level forum since the introduction of the Belt and Road Initiative, to highlight its achievements. The HKSAR Government is now preparing to take part in the forum. .

Supporting Professional Services Sector

Through the \$200 million Professional Services Advancement Support Scheme, supporting Hong Kong's professional services sector in undertaking projects on exchanges, publicity and enhancement of professional standards, thereby tapping business opportunities in external markets

30. The \$200 million Professional Services Advancement Support Scheme (PASS) was launched in November 2016 to support Hong Kong's professional services sector to carry out worthwhile projects aimed at increasing exchanges, co-operation and promotion targeting at external markets, as well as enhancing their service standards and external competitiveness. PASS is now open for application, and the deadline for the first tranche of applications is 28 February 2017. The first batch of funded projects are expected to roll out in mid 2017.

Enhancing Wine Trading

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

31. Hong Kong continues to play the role as the regional wine trading and distribution hub. In the first 11 months of 2016, wine imports amounted to about \$10.8 billion. This represented an around sixfold

growth over the full year of 2007 (before the removal of wine duty in 2008). During the first 11 months in 2016, wine re-exports amounted to about \$4.8 billion. This represented an around sevenfold growth over the full year of 2007.

32. In 2017, we will continue a number of supportive measures, including the customs facilitation scheme for wine re-exports into the Mainland through Hong Kong, and promotion of Hong Kong's role as the regional wine hub on the Mainland, with a view to helping the industry capitalize on opportunities. We will also promote major wine trade and investment related events, including ProWine Asia which will be organised in May 2017 in Hong Kong for the first time, the ninth Wine and Dine Festival and the HKTDC's tenth Hong Kong International Wine & Spirits Fair.

Intellectual Property (IP)

Working to develop and implement an “Original Grant” Patent System

33. Further to the enactment of the Patents (Amendment) Ordinance 2016 in June 2016, the Government has been working on an array of preparatory tasks including the drafting of subsidiary legislation, preparation of the operation manuals, design of workflows for examination of patent applications, and the planning of the electronic system underpinning the new patent system. Our target is to implement the “original grant” patent system in 2019.

Continuing the review of the copyright regime

34. To meet the needs of Hong Kong's economic and social development and catch up with technological advancements and international trends, we will continue the review of our copyright regime and conduct policy and legal research. We will also maintain dialogue with different stakeholders and consider issues of interest to them with an open mind. Any new legislative proposal to be introduced must take into account views collected in public consultation, balance the needs of different parties and be in the best overall interest of Hong Kong.

Supporting Retail Manpower Development

Implementing a series of measures on vocational education and training, employment support, promotion etc. with a view to supporting manpower development of the retail industry

35. To support the manpower development of the retail industry, three new measures with a funding of \$130 million are being implemented: (a) “Earn & Learn Pilot Scheme for the Retail Industry” introduced by the Vocational Training Council together with the trade. As at December last year, 540 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 small and medium ones) in enhancing productivity, through the “Retail Technology Adoption Assistance Scheme for Manpower Demand Management” (ReTAAS). As at end-November last year, about 200 applications involving about \$7.3 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, the Government launched two Announcements of Public Interest (APIs) and will continue to reach out to youngsters through publicity on Facebook. We will focus work on promoting the different development opportunities provided by the retail industry and good people management.

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January 2017