

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

The economy of Hong Kong is currently performing quite well. In the second quarter of this year, Hong Kong has recorded an year-on-year economic growth of 3.8% in real terms. The latest unemployment rate remains at a very low level of 3.1%. In the past 20 years, the Mainland and Hong Kong, as well as economies in the vicinity, have experienced enormous economic growth. China is now one of the largest economies in the world, while Asia has also become the engine for global economic growth.

2. In view of opportunities arising from changes in the external trade front, with its unparalleled strengths under “One Country, Two Systems”, advantageous geographical location, free and open markets, highly efficient and transparent regulatory regime, reputable legal system, as well as a business environment which is highly compatible with international standards, Hong Kong should be able to enjoy more significant economic growth and long-term economic development.

3. In this connection, we need to search for a new focus for Hong Kong’s economic development, so that our economy can further prosper. Hong Kong must develop into a high value-added and diversified economy. The traditional pillar industries must innovate and look for new opportunities in the Mainland and overseas markets. Emerging creative industries must expand and drive Hong Kong’s continuous economic growth, and embrace the development opportunities arising from the Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Bay Area.

The Belt and Road Initiative

4. The Hong Kong economy has been undergoing steady development over the last two decades. We are currently the world's 7th largest trading entity, and have been ranked by many international institutions as the most open, freest and most competitive economy. We should consolidate such edges, and leverage on the opportunities brought by the Belt and Road Initiative (B&RI) to further drive our economic growth.

5. The B&RI strategically guides the long-term national development, and provides impetus to Hong Kong's future economic and social development. To capitalise on the opportunities brought by the Initiative, a multi-pronged approach is being adopted by the Government with a view to translating the Initiative into tangible benefits for Hong Kong businesses and professionals.

6. Firstly, we will bolster our external relations efforts by promoting exchanges and collaboration at government and industry levels, and encouraging the participation of different sectors in the B&RI, in areas such as financing and capital-raising, commerce, trade and logistics, professional and infrastructure services, etc. We will also increase our presence in the Mainland and countries along the Belt and Road with a view to developing Hong Kong as an important hub and platform for the B&RI.

7. To further promote the Hong Kong's participation in the B&RI and give full play to our strengths, the Government is discussing with the National Development and Reform Commission on the signing of "Arrangement for Advancing Hong Kong's Full Participation in the Belt and Road Initiative" (the Arrangement) which will guide and serve as the blueprint of mutual co-operation. The Arrangement will identify the major areas of co-operation to fully leverage Hong Kong's competitive edges. It will also put forward specific collaboration measures, covering various areas such as finance, infrastructure, economic and trade facilitation, people-to-people bonds, project interfacing, dispute resolution, as well as

the Guangdong-Hong Kong-Macao Bay Area development. A joint working mechanism will be established with a view to strengthening communication and co-operation, and overseeing the implementation of the Arrangement.

8. In addition, to facilitate Hong Kong businesses' effective participation in the B&RI, the HKSAR Government together with the Mainland authorities are looking into the possibility of establishing an information sharing platform on the Belt and Road projects so that enterprises of the two places will have a better grasp of relevant information to facilitate more effective project interfacing and enterprise collaboration.

9. Efforts will also be made to promote strategic partnership between enterprises in Hong Kong and on the Mainland for joint investment in Belt and Road projects and collaborative development of overseas economic and trade co-operation zones, thus exploring overseas markets together. These will include conducting market study on, and trade and investment promotion at priority countries along the Belt and Road; as well as providing professional services to enterprises with a view to establishing Hong Kong as the high-end professional services platform for the B&RI.

10. In this respect, we will also enhance the role of the Hong Kong Trade Development Council (HKTDC) in the promotion of and participation in the B&RI. On the one hand, it will be tasked for organising more trade missions to countries along the Belt and Road for identifying business opportunities, and efforts will be made to strengthen its capabilities in risk profiling research, project scoping and business matching on the other, with a view to better supporting our enterprises.

11. To ensure that the Commerce and Economic Development Bureau will be able to take forward the work on the B&RI more effectively and on a sustained basis, the Government will provide additional resources to reinforce the manpower for its Belt and Road Office.

Seeking to enter into trade arrangements and investment agreements with more overseas economies to secure for our businesses better access to those markets

12. To bring about the legal certainty of market access and fair and equitable treatment for Hong Kong traders and investors in overseas markets, and to promote the economic integration of Hong Kong, we have been actively pursuing free trade agreements (FTAs). Besides, we have been forging Investment Promotion and Protection Agreements (IPPAs) with our trading partners to enhance investment flows and boost our economy.

13. Hitherto, Hong Kong has signed three FTAs¹ and 19 IPPAs² with overseas economies.

14. Hong Kong and the Association of Southeast Asian Nations (ASEAN) will sign an FTA and an Investment Agreement in November 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 and the Investment Agreement will enable our goods, services and investments to access the ASEAN market under more favourable conditions. They will enhance trade and investment flows between Hong Kong and ASEAN, generate new opportunities for our businesses, and further strengthen Hong Kong's position as an international trade, commerce and financial centre.

15. We will continue our efforts to expand our FTA network and forge more IPPAs with other economies, including economies along the Belt and Road, to further strengthen Hong Kong's position as an international trade and investment hub.

¹ The relevant economies are New Zealand, the European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland) and Chile.

² 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, Kuwait, Canada and Chile.

Plan to set up a new Hong Kong Economic and Trade Office (ETO) in Thailand to further strengthen trade promotion work in the ASEAN countries.

16. At present, there are 12 overseas ETOs located in major economies of the world. Setting up of additional ETOs helps to further expand our ETOs' network and strengthen trade promotion work outside Hong Kong. In addition to the new ones proposed earlier (such as those to be set up in India, Russia and the United Arab Emirates), we also plan to set up an additional ETO in Thailand in order to further develop our trade and economic relations and explore business opportunities in the ASEAN region.

Attracting enterprises and infrastructural projects to Hong Kong

17. Hong Kong is an ideal place for enterprises from around the world to set up or expand business operations. According to the latest annual survey jointly conducted by Invest Hong Kong ("InvestHK") and the Census and Statistics Department, the number of business operations in Hong Kong with parent companies overseas or in the Mainland has exceeded 8 200. Among them, 1 413 are regional headquarters, representing an increase of 2.5% over the same period last year.

18. InvestHK is committed to encouraging and assisting overseas and Mainland enterprises to set up or expand their business operations in Hong Kong, and providing aftercare services to them. InvestHK will maintain closer ties with the relevant bureaux and HKSAR's offices overseas and in the Mainland, in order to identify potential enterprises in specific sectors, including start-ups, and to attract them to set up operations in Hong Kong. This will strengthen Hong Kong's position as a two-way development base for "going global" and attracting foreign investment, and a leading hub for start-ups and entrepreneurship.

19. In the process of "going global" under the B&RI, Mainland enterprises can make use of Hong Kong's one-stop and

internationally-recognised professional services, including accounting, legal, surveying, certification, etc., to gear up their projects, while enjoying the high standards of our high-end professional services to reduce risks. Similarly, overseas enterprises can take advantage of Hong Kong's professional services in making investment in Hong Kong and the Mainland.

Seek to enrich the content of CEPA, with a view to securing better access to the Mainland market for Hong Kong businesses and promoting trade and investment between the two places

20. 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. In June 2017, the HKSAR Government and the Ministry of Commerce (MoC), signed the Investment Agreement and Agreement on Economic and Technical Cooperation under the framework of CEPA, in order to enhance CEPA in line with a modern and comprehensive free trade agreement, providing for promotion and protection of increasing investments between the two places as well as fostering economic and technical cooperation. The Investment Agreement shall be implemented as from 1 January 2018.

21. The HKSAR Government will work with the MoC to implement CEPA and to explore its further enhancement so as to further promote trade and investment between the two places.

Supporting Hong Kong enterprises to develop the Mainland market

22. The TID and the HKSAR Government's 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 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. Our offices in the Mainland and the HKTDC would continue to work together to assist Hong Kong enterprises in building up their brand image and brand awareness in the Mainland and developing the domestic sales market. The HKTDC would also continue to provide platforms for Hong Kong enterprises to showcase products and build up greater awareness of Hong Kong brands in the Mainland through its network of Design Gallery shops in the Mainland (including physical outlets and online shops).

Enhance the support for SMEs, continue to implement various funding schemes and review their operations from time to time

23. 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 applying for loans, 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.

24. In addition, the Dedicated Fund on Branding, Upgrading and Domestic Sales (the BUD Fund), also administered by TID, has been helping Hong Kong enterprises in exploring and developing the Mainland market. Having regard to the positive feedback from the trade and the effectiveness of the BUD Fund, the application period of the BUD Fund has been extended for five years to June 2022. We will continue to improve the operation and implementation details of the BUD Fund, and carry out promotional and publicity activities. 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 2018. 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.

Strengthening Hong Kong's Convention and Exhibition Industry

25. The convention and exhibition (C&E) industry is crucial to Hong Kong as an international centre for commerce and trade. By attracting world-class and the most prestigious international conventions and exhibitions to Hong Kong, we have reinforced our position as an international hub. The existing dedicated C&E venues have reached their capacity, and hence some large-scale international C&E events cannot be held in Hong Kong and this hinders the development of the C&E industry. The findings of the consultancy study commissioned by the Government in 2014 showed that there would be a shortfall of some 130 000 square metres (m²) of C&E venues at peak periods by 2028. We must deal with the long-standing venue shortage as well as plan and build new C&E venues in good time to maintain and consolidate the international status of our C&E industry.

26. After detailed consideration, we are of the view that the priority is to build a new C&E venue of international standard in the proximity of the existing Hong Kong Convention and Exhibition Centre (HKCEC) in Wan Chai. The new venue must be connected to and integrated with the existing HKCEC to maximize the benefits. Therefore, we have decided to demolish the three government towers in Wan Chai North next to the HKCEC and develop the site into a C&E venue, with hotel and Grade A premises above it. Our initial estimate is that there would be an additional C&E space of around 23,000 m². We would also continue to proceed with the construction of a convention centre above the MTR Exhibition Station of the Shatin to Central Link, providing additional convention space of 15,000 m². We hope to create synergy among the various C&E venues to increase Hong Kong's competitiveness in hosting large-scale international C&E events. As a longer-term plan, when the reprovisioning of the Wan Chai Sports Ground is satisfactorily resolved, the site may be earmarked for the further development of C&E facilities so as to reinforce and enhance the status of Wan Chai North as a convention and exhibition hub of Asia. We will also continue to explore the feasibility of expanding other existing C&E facilities.

27. In redeveloping the site vacated by the government offices buildings in Wan Chai North, we will take the opportunity to thoroughly examine the traffic arrangements in the area. To make full use of the new MTR Exhibition Station of the Shatin to Central Link in Wan Chai North, we propose to upgrade and enhance the footbridge network in Wan Chai North and its proximity in order to connect the C&E facilities to the MTR Wan Chai Station, Admiralty Station and Exhibition Station of the Shatin to Central Link. This will improve the pedestrian walkway network in the area. We will also capitalise on the completion of the Central-Wan Chai Bypass to optimise the traffic arrangements in the vicinity and enhance the efficiency of the road network linking Wan Chai North.

Supporting Professional Services Sector

28. The Professional Services Advancement Support Scheme (PASS) provides funding support in a targeted manner for trade and industry organisations and professional bodies to undertake projects on exchanges, publicity and enhancement of professional standards, with a view to promoting the development of Hong Kong's professional services. The first batch of funded projects has been rolled out since mid-2017. We will continue to encourage the professional services sector to work with other sectors and apply for PASS funding for initiatives to explore new business and collaboration opportunities, including projects to enhance promotion of our professional services in the Guangdong-Hong Kong-Macao Bay Area and economies along the Belt and Road.

Trade Single Window

29. To maintain Hong Kong's competitiveness as a trading and logistics hub and to align with the international trend, the Government is taking forward the initiative of developing a Trade Single Window (SW) to provide a one-stop electronic platform for the trading community to lodge import and export trade documents with the Government. The Commerce and Economic Development Bureau has been pressing ahead

with preparations on all fronts, together with the Customs and Excise Department and other relevant Government agencies. We aim to roll out the SW in phases, with Phase 1 scheduled to be launched in mid-2018. Phase 1 will cover 14 trade documents whose applications could be made through the SW on a voluntary basis. We will closely monitor the feedback of users and implement the project in full as soon as practicable. In the process, we will continue to closely engage the trade.

Intellectual Property (IP)

30. We will continue to enhance our IP regime, through the following initiatives, to meet Hong Kong's socio-economic needs.

(a) Pressing ahead with the establishment of an original grant patent system to support the efforts to develop Hong Kong into a regional innovation and technology hub

The Legislative Council has passed the Patents (Amendment) Ordinance 2016 to provide for the essential legal framework for the "Original Grant" patent system. We are pressing ahead with preparations on various fronts, including the drafting of subsidiary legislation, preparation of new patent examination guidelines, recruitment of additional manpower, and establishment of an electronic system underpinning the new patent system. The current target is to implement the "Original Grant" patent system in 2019 the earliest.

(b) Amending the Trade Marks Ordinance for Hong Kong to implement the international registration system under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks ("Madrid Protocol")

We will take forward our plan to implement the Madrid Protocol in Hong Kong, with the aim of enabling businesses to save time and cost in obtaining and managing international trade mark registrations. We are preparing legislative proposals to amend the Trade Marks Ordinance (Cap. 559) and its subsidiary legislation. Subject to the progress of the legislative exercise

and other preparatory work, we plan to seek application of the Madrid Protocol to Hong Kong in 2019-20 the earliest.

(c) Considering amendments to the Copyright Ordinance 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” (“Marrakesh Treaty”)

The Government launched a three-month consultation exercise in May 2017 to gauge views on areas in the relevant provisions in the Copyright Ordinance (Cap. 528) which might need to be amended 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. We are collating the views received and will consider amending the Copyright Ordinance as appropriate. We will brief the Panel on the outcome of the consultation exercise and the proposed way forward.

In addition, we will continue to organise international forum and work with the industry to promote IP trading and explore its future development.

31. The Policy Address sets out in detail many other proposals on promoting economic development, encouraging innovation and design, attracting investments, and developing tourism. The Government will also brief other Panels of the 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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