

**Legislative Council Panel on Commerce and Industry**

**2018 Policy Address**

**Policy Initiatives of**

**Commerce, Industry and Tourism Branch,**

**Commerce and Economic Development Bureau**

**Our Vision**

In the past year, Hong Kong sustained strong economic growth. In the first half of this year, our economy grew by 4.0% over a year earlier. The labour market remains favourable, with the latest unemployment rate maintained at 2.8%, the lowest level in more than 20 years. Favourable job and income conditions support consumer sentiment, and domestic demand expands visibly. However, we must closely monitor and stay vigilant against the possible negative impact of the recent trade dispute between the Mainland and the United States (US) on the economic growth momentum.

2. Regarding the global economy, while external demand in the first half of the year remained strong, the escalating trade dispute between the Mainland and the US has markedly increased external uncertainties. The trade dispute between the Mainland and the US will inevitably bring about direct and indirect negative impacts on Hong Kong. The Government must continue to adopt a multipronged strategy to assist the trade in diversifying business activities and capitalising on the opportunities offered by the Guangdong-Hong Kong-Macao Greater Bay Area (Greater

Bay Area) Development and the Belt and Road Initiative (B&RI).

3. The multipronged strategy leverages our advantages under “One Country, Two Systems” and our unique status on external, economic and trade relations conferred on Hong Kong by the Basic Law, thereby further strengthening Hong Kong’s economic and trade position. We will continue to establish stronger bilateral ties with like-minded trading partners and deepen Hong Kong’s economic integration with different parts of the world through negotiating and forging Free Trade Agreements (FTAs) and investment agreements. We will expand our overseas Economic and Trade Office (ETO) coverage to new partners and markets with close economic and trade relations with Hong Kong and with development potential, so as to tap business opportunities and boost foreign direct investment into Hong Kong. We will continue to organise business missions with the Hong Kong Trade Development Council (TDC) for the trade to explore business opportunities in B&R markets. We will enhance promotion, exchange and capacity building for our professional services through funding support under the Professional Services Advancement Support Scheme (PASS) to help them seize the opportunities of international markets and better meet the challenges arising from the rise of trade protectionism.

4. Hong Kong will continue to capitalise on our advantages under “One Country, Two Systems”, and, together with our 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, with a view to achieving more significant economic growth.

5. Looking ahead, we need to strengthen external promotion on the unique advantages of Hong Kong, develop markets and establish partnership. We will also leverage the B&RI and Greater Bay Area Development as the impetus to Hong Kong's future economic development.

### **Leveraging Hong Kong's International Commerce, Investment and Professional Platform in Pursuing the B&RI**

6. Riding on our unique advantages, and having regard to the functions and positioning of Hong Kong, as well as the focus areas of collaboration, the Government has adopted a whole-government approach and drawn up a five-pronged key strategy in the pursuit of the B&RI, including —

- (a) enhancing policy co-ordination;
- (b) fully leveraging Hong Kong's unique advantages;
- (c) making the best use of Hong Kong's position as the professional services hub;
- (d) promoting project participation; and
- (e) establishing partnership and collaboration.

7. On enhancing policy co-ordination, we entered into an “Arrangement for Advancing Hong Kong’s Full Participation in and Contribution to the Belt and Road Initiative” (the Arrangement) with the National Development and Reform Commission in December 2017, which has significantly forged our ties with the relevant Mainland authorities. The Arrangement identifies six major areas of co-operation with a total of 26 specific measures. To oversee the implementation of the Arrangement, a Joint Conference mechanism has been established for direct and regular communication for both sides. The first meeting of the Belt and Road Joint Conference was convened in mid-June this year in Beijing. We will follow up on the implementation of the measures set out in the Arrangement through the Joint Conference which will be convened at least once a year.

8. We will fully leverage Hong Kong’s unique strengths and continue to promote collaboration with B&R related countries and regions, as well as participation of different sectors in the B&RI. The Government and the TDC have organised a number of business missions comprising business and professional services sectors, young entrepreneurs and start-ups to visit B&R related economies to look for new business prospects and showcase Hong Kong’s distinct advantages. The Government will continue with such efforts in external affairs to establish Hong Kong as both a key link and the prime B&R services platform.

9. In taking forward the B&RI, Hong Kong's various strengths are best manifested in our possession of a full spectrum of professional services. To enable Hong Kong professionals to better grasp opportunities and meet challenges brought by the Initiative, the PASS has provided financial support of \$2.30 million for the "Belt and Road Cross Professional Sharing Programme", which is spearheaded by the Hong Kong Polytechnic University with the support of various professional associations and the Hong Kong Chinese Enterprises Association. The Programme, which is expected to last about a year and will be launched in end 2018, seeks to support our professional services in enhancing their capacity against the backdrop of the B&RI.

10. Promoting closer project interfacing and identifying B&R market opportunities are also the future foci of our work. For supporting Hong Kong businesses' participation in B&R projects, we have engaged TDC to enhance its B&R Portal into a more comprehensive and current one-stop B&R platform, including expanding its project database, thereby facilitating enterprises in identifying and capturing business opportunities that best match their needs. The enhanced Portal is planned to be rolled out in Q2 2019.

11. Efforts are also made to facilitate interfacing between chambers of commerce and enterprises with the professional services sector. The Government has been introducing collaboration and business matching opportunities to foster partnerships, and provide the essential professional services. For instance, a Seminar on "Strategies and Opportunities under

the B&RI – Leveraging Hong Kong’s Advantages, Meeting the Country's Needs” was staged in Beijing in February 2018. The 3rd edition of the B&R Summit was also held in June 2018 to promote business deals, and over 520 one-to-one business-matching meetings with over 230 projects were arranged. The 4th edition is tentatively scheduled for 11-12 September 2019. Another sharing session on Economic and Trade Co-operation Zones for Belt and Road opportunities was co-organised with the State-owned Assets Supervision and Administration Commission of the State Council in Hong Kong in August 2018. We will continue with such efforts to encourage different enterprises and professionals to “go global” en bloc, making the most of their complementary strengths to capitalise on opportunities being offered by the Initiative.

### **Expansion of Network of FTAs and Investment Agreements**

12. 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 connection with Hong Kong as well as markets with development potential or at strategic locations, so as to further establish Hong Kong’s worldwide network of economic and trade connections.

13. In the past 12 months, the Government has signed three FTAs with 12 economies (the ten Member States of the Association of Southeast

Asian Nations (ASEAN)<sup>1</sup>, Georgia and Macao SAR). The free trade arrangement with Macao SAR has already entered into force, while we hope the respective FTAs with ASEAN and Georgia will come into force in early 2019 at the earliest. We have concluded the FTA negotiations with the Maldives, while our bilateral negotiations with Australia are ongoing. Building on the good foundation of the Strategic Dialogue on Trade Partnership and the joint statement on closer collaboration on trade and economic matters between Hong Kong and the United Kingdom (UK), we are exploring with the UK options for forging even closer economic ties, including the possibility of a future FTA. We are exploring to forge an FTA with the four members of the Pacific Alliance, namely Chile, Colombia, Mexico and Peru. Combined together, these four Pacific Alliance member countries account for nearly 40% of the gross domestic product (GDP) of the whole Latin America.

14. We also plan to seek accession to the Regional Comprehensive Economic Partnership (RCEP) after completion of negotiations by ASEAN and relevant economies, in accordance with the terms on accession of new members therein. Apart from the ten Member States of ASEAN, other RCEP members are Australia, India, Japan, Korea, the Mainland and New Zealand. The combined GDP of these 16 economies represents nearly one-third of the world's total. Joining the RCEP will enable Hong Kong to be a part of the largest FTA in the Pan-Asia region.

15. Regarding investment agreements, Hong Kong has so far signed 20 investment agreements with foreign economies. We have completed

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<sup>1</sup> The Member States of ASEAN are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam.

negotiations with Bahrain, the Maldives, Mexico and the United Arab Emirates (UAE) respectively and will arrange for signing of the investment agreements after completion of the required internal procedures by both sides. Currently, negotiations with Russia are underway, and we will explore the possibility of commencing negotiations with Turkey.

### **Setting up additional Hong Kong Economic and Trade Offices**

16. At present, Hong Kong has a total of 12 overseas ETOs. 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 ETOs. We consulted the Panel on the Commerce and Industry of the Legislative Council (LegCo) in July on the details of our plan to set up five new ETOs in India (Mumbai), Korea (Seoul), Russia (Moscow), Thailand (Bangkok) and the UAE (Dubai) respectively. Our discussion with the Thai Government on the proposal of establishing the Bangkok ETO has been concluded, and we have initiated the procedures to seek approval from the LegCo for funding and creation of the relevant posts. We hope that in early 2019, we would be able to set up the Bangkok ETO, which will be our third ETO in ASEAN (after the Singapore ETO and the Jakarta ETO in Indonesia), thereby further strengthening our bilateral ties with ASEAN. For our proposal to set up additional ETOs in the other four cities, we will continue to discuss with the relevant governments on the detailed arrangements.



### **Arranging Hong Kong higher education students to take up internship overseas**

17. In recent years, some overseas ETOs have arranged for Hong Kong higher education students to take up internship in local institutions (including the ETOs, international organisations, private companies, academic institutions, arts and cultural organisations, etc.). This could enable students to understand the economy and culture of different countries, as well as the working environment and actual operation of the relevant industries/institutions so as to broaden their perspectives. The ETOs will continue to actively promote the overseas internship programmes and encourage local organisations to provide internship places, with a view to providing more opportunities for students to participate in internship overseas.

### **Strengthening Investment Promotion**

18. Invest Hong Kong (InvestHK) will continue to actively attract and assist overseas and Mainland companies in capitalising on Hong Kong's professional service support and rich international business experience to expand their businesses and tap new markets. Together with the relevant bureaux, we have adopted a more proactive and focused strategy to identify and attract potential companies (including start-ups) in specific sectors, such as innovation and technology, financial technology and maritime services, to set up operation in Hong Kong.

19. To ensure that companies already set up in Hong Kong receive the support they need for expansion, InvestHK established a dedicated team in 2018 to strengthen liaison with these companies to provide them with enhanced aftercare services.

### **Seek to Enhance and Enrich the Content of CEPA**

20. The HKSAR Government and the Ministry of Commerce (MOFCOM) are now in discussion of an Agreement on Trade in Goods to further facilitate the flow of goods between the two places and to enhance CEPA in line with the framework of a comprehensive free trade agreement covering four major areas, namely trade in goods, trade in services, investment, and economic and technical cooperation. On trade in services, we are in discussion with the MOFCOM to explore further liberalisation for Hong Kong enterprises and professional sectors so as to encourage their active participation in national development, including the development of the Greater Bay Area.

### **Enhance the Support for SMEs**

21. We will continue to support Hong Kong enterprises (in particular SMEs) through various measures. In June 2018, the Finance Committee of LegCo approved the injection of \$2.5 billion for the implementation of enhancement measures to the various funding schemes to further strengthen the support to enterprises. Amid the trade war between the Mainland and the US, the Government advanced the launch of the

enhancement measures to the Dedicated Fund on Branding, Upgrading and Domestic Sales (the BUD Fund) and the SME Export Marketing Fund (EMF) to 1 August 2018 to assist the trade in developing new markets and diversifying risks, including the launch of the ASEAN Programme under the BUD Fund to provide funding support to individual non-listed Hong Kong enterprises in carrying out projects that aim to enhance their competitiveness and further business development in the ASEAN markets. In addition, the cumulative funding ceiling per enterprise of the Mainland Programme under the BUD Fund and the EMF has been doubled. TID has also simplified the application procedures under the various funding schemes to provide more flexible and convenient support, and merged the SME Development Fund and the Organisation Support Programme to form the Trade and Industrial Organisation Support Fund on 1 October 2018 to provide funding support to non-profit-distributing organisations.

22. The special concessionary measures under the SME Financing Guarantee Scheme operated by the HKMC Insurance Limited (HKMCI) provides 80% loan guarantee to local enterprises. The Government has decided to extend the application period to end June 2019, and to implement the following three additional support measures: reduce the annual guarantee fee rate by 50%; increase the maximum loan amount from the current HK\$12 million to HK\$15 million; and lengthen the maximum loan guarantee period from 5 years to 7 years, valid until the end of June next year, in order to further relieve the financing burden of local enterprises and assist enterprises to obtain financing. We hope that HKMCI could complete the preparatory work within November and implement the new measures as soon as possible. We will continue to

review the SME support measures from time to time to ensure that appropriate assistance is provided.

### **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 and enhance the synergy between C&E venues and facilities in their vicinity, we will continue to actively increase the supply of C&E venues and facilities, including developing Wan Chai North into a C&E hub in Asia. As announced by the Chief Executive in her Policy Address last year, we will redevelop 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. As the sites are located in the central business district, the opportunity to vacate the sites for commercial development is a very precious one. We will therefore fully utilise the plot ratio of the sites to maximise their potential. According to our initial thinking, the redeveloped site could provide, in 2032 at the earliest, about 29 000 square metres of dedicated C&E venue, which will be seamlessly connected to and integrated with the Hong Kong Convention and Exhibition Centre so as to increase flexibility in organising C&E events. The site will also provide hotel rooms and catering space as support facilities for the new C&E venue, while the remaining plot ratio will be

allocated for the provision of Grade A office to increase supply in the central business district. 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. According to our preliminary traffic impact assessment, we expect that the commissioning of the Central-Wan Chai Bypass will improve the traffic condition of Connaught Road, Gloucester Road and Wan Chai North, and we will implement appropriate road improvement measures. These will not only manage the increased traffic flows arising from the redevelopment project, but will also help alleviate the current traffic load in Wan Chai North arising from large-scale C&E events. The Transport Department (TD) will also comprehensively review the traffic and public transport arrangements in Wan Chai with a view to further enhancing the efficiency of the road network in the area; and meanwhile plan to turn the redevelopment project into a hub of pedestrian walkway system by connecting the existing pedestrian footbridge system and the planned elevated walkway between the Admiralty MTR Station and Wan Chai North, as well as improving at-grade footpaths and crossing facilities, with a view to enhancing the walkability and connectivity of the walking environment. The redevelopment will also provide sufficient loading/unloading facilities and parking spaces to meet the parking demand in the area.

25. Regarding AsiaWorld-Expo (AWE), another important C&E venue, the Airport Authority Hong Kong (AA) has completed the acquisition of the private interest in it, hence providing room and

opportunities to better leverage the advantages of the existing AWE in hosting C&E events. We will discuss with the AA on the Phase Two expansion plan of AWE to further increase the supply of C&E facilities in Hong Kong, so as to strengthen the competitiveness of our C&E industry.

### **Supporting the Professional Services Sector**

26. PASS has been providing financial support for projects undertaken by trade and industrial organisations, professional bodies and research institutes on exchanges, publicity and enhancement of professional standards, so as to assist Hong Kong's professional services sectors in tapping business opportunities in external markets (including economies along and related to the B&R and cities in the Greater Bay Area). Funded projects include both sector-specific and cross-sectoral ones. We will continue to encourage eligible bodies and organisations to make good use of the Scheme, with a view to promoting the development of Hong Kong's professional services.

### **Taking forward the Trade Single Window project**

27. 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 phases and aim to roll out Phase 1 in end 2018. Phase 1 will cover some 10 types of trade documents for specific commodities (e.g. licences for the import and export of certain controlled

products). The trade is welcome to submit the relevant documents through the TSW. We will closely engage the trade and collect their feedbacks to ensure that the system will be user-friendly and meet users' needs, and that the preparation work for Phases 2 and 3 can fully take into account the views of the trade.

### **Exploring Extension of the Single E-lock Scheme**

28. For inter-modal transshipment cargoes between Guangdong and Hong Kong, the Single E-lock Scheme (SELS) launched in 2016 has been instrumental, by way of using technology, in reducing repeated inspections on the same shipment at the boundary by customs authorities. We will actively explore with the Mainland authorities the extension of SELS to more customs clearance points in the Greater Bay Area, so as to facilitate cross-boundary cargo flow and enhance customs clearance efficiency.

### **Enhancing the Intellectual Property (IP) regime**

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

#### **(a) Establishing the “original grant patent” (OGP) system**

Our target is to implement the OGP system in 2019 the earliest. To this end, we have been working in full swing to make preparations on various fronts, including drafting of subsidiary

legislation, preparation of new patent examination guidelines, recruitment and training of additional manpower, and establishment of the relevant electronic system, and we are making good progress so far. We plan to submit the relevant subsidiary legislation to the LegCo for negative vetting in Q4 of 2018.

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

We will amend the Trade Marks Ordinance to implement the Madrid Protocol in Hong Kong so as to enable trade mark owners to apply for registration in a multiple number of jurisdictions by filing a single application. We will also update certain current provisions of the Ordinance and confer powers on the Customs and Excise Department for enforcing the criminal provisions under the Ordinance. We will consult the Panel on the legislative proposal and aim to introduce the amendment bill into the LegCo in the 2018-19 legislative session. Subject to the progress of various tasks, 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 will introduce the amendment bill into the LegCo in the 2018-19 legislative session.

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 small-and-medium enterprises.

30. 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 LegCo 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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