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Panel on Commerce and Industry
Panel on Economic Development
Panel on Financial Affairs
Panel on Information Technology and Broadcasting

Minutes of joint meeting
held on Friday, 6 December 2019, at 10:45 am
in Conference Room 2 of the Legislative Council Complex

Members present : Members of the Panel on Commerce and Industry

- * Hon Jimmy NG Wing-ka, BBS, JP (Chairman of the Panel on Commerce and Industry)
@ Hon Alvin YEUNG (Deputy Chairman)
- *# Hon Jeffrey LAM Kin-fung, GBS, JP
- *#@ Hon WONG Ting-kwong, GBS, JP
@ Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
- * @ Hon YIU Si-wing, BBS
@ Hon MA Fung-kwok, SBS, JP
@ Hon CHAN Chi-chuen
- # Hon Martin LIAO Cheung-kong, GBS, JP
Dr Hon CHIANG Lai-wan, SBS, JP
- *#@ Ir Dr Hon LO Wai-kwok, SBS, MH, JP
- *#@ Hon CHU Hoi-dick
- *#@ Hon SHIU Ka-fai, JP
@ Hon YUNG Hoi-yan, JP
- *#@ Hon CHAN Chun-ying, JP
Hon LAU Kwok-fan, MH

Members of the Panel on Economic Development

- ^@ Hon CHUNG Kwok-pan (Chairman of the Panel of Economic Development)

- ^# Hon WU Chi-wai, MH (Deputy Chairman)
- #@ Hon James TO Kun-sun
- # Hon Starry LEE Wai-king, SBS, JP
Hon Paul TSE Wai-chun, JP
- @ Hon Claudia MO
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon Andrew WAN Siu-kin
- # Hon Holden CHOW Ho-ding
Hon Jeremy TAM Man-ho

Members of the Panel on Financial Affairs

- ^* Hon Christopher CHEUNG Wah-fung, SBS, JP (Chairman of the Panel on Financial Affairs)
- * Hon Kenneth LEUNG (Deputy Chairman)
Hon Abraham SHEK Lai-him, GBS, JP
Hon Alice MAK Mei-kuen, BBS, JP
Hon CHEUNG Kwok-kwan, JP
Hon AU Nok-hin

Members of the Panel on Information Technology and Broadcasting

- ^# Hon Charles MOK Peter, JP (Chairman of the Panel on Information Technology and Broadcasting)
- ^* Hon Elizabeth QUAT, BBS, JP (Deputy Chairman)

Members absent : Member of the Panel on Commerce and Industry

- *# Hon Dennis KWOK Wing-hang

Members of the Panel on Economic Development

- Hon WONG Kwok-kin, SBS, JP
- #@ Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Junius HO Kwan-yiu, JP
Hon LUK Chung-hung, JP

Member of the Panel on Financial Affairs

- Hon CHAN Kin-por, GBS, JP

Members of the Panel on Information Technology and
Broadcasting

Hon CHAN Han-pan, BBS, JP
Hon HUI Chi-fung

- ^ Also members of the Panel on Commerce and Industry
- * Also members of the Panel on Economic Development
- # Also members of the Panel on Financial Affairs
- @ Also members of the Panel on Information Technology and
Broadcasting

Members attending : Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon LEUNG Che-cheung, SBS, MH, JP

**Public officers
attending** : Agenda item II

Mr Paul CHAN Mo-po, GBM, GBS, MH, JP
Financial Secretary

Financial Services and the Treasury Bureau

Mr James Henry LAU Jr., JP
Secretary for Financial Services and the Treasury

Ms Michelle LI, JP
Permanent Secretary for Financial Services and
the Treasury (Financial Services)

Mr Raistlin LAU, JP
Deputy Secretary for Financial Services and
the Treasury (Treasury)¹

Commerce and Economic Development Bureau

Mr Edward YAU, GBS, JP
Secretary for Commerce and Economic Development

Miss Eliza LEE, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Ms Betty HO
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)³

Innovation and Technology Bureau

Mr Nicholas W YANG, GBS, JP
Secretary for Innovation and Technology

Ms Annie CHOI, JP
Permanent Secretary for Innovation and Technology

Office of the Government Economist

Mr Andrew AU, JP
Government Economist

Clerk in attendance: Mr Desmond LAM
Chief Council Secretary (1)³

Staff in attendance : Ms Connie HO
Senior Council Secretary (1)³

Mr Joey LO
Senior Council Secretary (1)⁸

Mr Terence LAM
Council Secretary (1)³

Ms May LEUNG
Legislative Assistant (1)³

Miss Zoe YIP
Clerical Assistant (1)³

I. Election of Chairman

Members noted that Mr Jimmy NG, Chairman of the Panel on Commerce and Industry, Mr Christopher CHEUNG, Chairman of the Panel on Financial Affairs, and Hon Charles Peter MOK, Chairman of the Panel on Information Technology and Broadcasting had agreed that the joint meeting be chaired by Mr CHUNG Kwok-pan, Chairman of the Panel on Economic Development. In

accordance with rule 22(k) of the House Rules, members agreed that Mr CHUNG should chair the joint meeting.

II. Economic impact of the recent social incidents and the Hong Kong Human Rights and Democracy Act of 2019 on Hong Kong

(LC Paper No. CB(1)201/19-20(01) -- Administration's paper on "Economic impact of the recent social incidents and changes to external environment on Hong Kong"

LC Paper No. CB(1)201/19-20(02) -- Paper on the economic impact of the recent social incidents and changes to external environment on Hong Kong prepared by the Legislative Council Secretariat (information note)

LC Paper No. IN02/19-20 -- Paper on "The impact of the recent social incidents and enactment of the Hong Kong Human Rights and Democracy Act of 2019 in the United States on Hong Kong's economy" prepared by the Research Office of the Legislative Council Secretariat (information note))

Presentation by the Administration

2. At the invitation of the Chairman, Financial Secretary ("FS") gave a briefing on the overall economic situation of Hong Kong, which had been under the influence of the recent social incidents and unstable external environment. Details were set out in the Administration's paper (LC Paper No. CB(1)201/19-20(01)).

3. FS said that in the past six months, Hong Kong's economy had been hard hit by a series of local social incidents and violent conflicts arising from the controversies over the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019 ("the Bill") as well as the unstable external environment. Internally, violent incidents had affected not only the personal safety and daily life of the general public, but also Hong Kong's business environment and international image, and dealt a severe blow to the already weakening economy. The economy saw an abrupt deterioration and contracted by 2.9% in the third quarter of 2019 from a year earlier, its first year-on-year decline

since the Great Recession of 2009. On a seasonally adjusted quarter-to-quarter comparison, real gross domestic product contracted for two consecutive quarters, indicating that the economy has entered a recession. It was estimated that over 2 percentage points of the contraction recorded in the third quarter was attributable to the impact of the social incidents. As a result, the business situation of many sectors such as hotel and tourism, retail and catering turned very austere. Average hotel room occupancy rate was down noticeably by more than 20 percentage points from a year earlier. From August to October 2019, retail sales volume recorded a record fall of 24% year-on-year, and restaurant receipts deteriorated sharply in the third quarter and registered a year-on-year decline of 13.6% in volume terms. In face of challenges on both internal and external fronts, Hong Kong's financial markets had inevitably become volatile. The Administration and financial regulators had been staying vigilant, closely communicating with each other and monitoring the market situation, with a view to safeguarding financial stability.

4. In addition to the internal challenges, Hong Kong's economy had also been affected by the unstable external environment, including the volatile trade negotiation between the Mainland and the United States ("US"), slowdown of economic growth in major economies, rising trade protectionism and geopolitical risk around the world, etc. In the event that China and the US failed to reach an agreement on the first phase of trade deal in the short term and decided to fully impose tariffs on each other's exports, Hong Kong as a major regional entrepot was bound to be caught in the crossfire of a China-US trade war.

5. On the enactment of the Hong Kong Human Rights and Democracy Act ("the Hong Kong Act") by the US, FS said that the Government of the Hong Kong Special Administrative Region ("HKSARG") opposed to foreign interference in Hong Kong's internal affairs in any form. The enactment of the Hong Kong Act was unnecessary and unwarranted, and would inevitably undermine international investment sentiment in Hong Kong as well as the mutually beneficial relationship between Hong Kong and the US, including the US's own interests in Hong Kong. FS added that protection of human rights and freedom was Hong Kong's constitutional responsibility under the Basic Law, and such rights were fully protected under the Hong Kong Bill of Rights Ordinance (Cap. 383) and other relevant legislation. FS expressed grave concern over the urging of foreign governments or legislatures to interfere with Hong Kong's internal affairs by certain local political figures, such actions of which were against the interests of Hong Kong people. FS said that the actual impact of the Hong Kong Act on Hong Kong would depend on the interplay of a number of complex factors, namely, the specific measures to be adopted by the US Administration; political situation of the US including development of the 2020 United States presidential election; development of the China-US political and economic relationship; and the development of the social incident in Hong Kong.

6. FS added that the Administration had since August 2019 announced four packages of helping measures to support enterprises, safeguard jobs and relieve the people's burden, costing more than HK\$25 billion. The Administration would closely monitor the development of related matters and introduce additional helping measures as and when necessary.

Discussion

Overall economic situation

7. Mr CHAN Chun-ying enquired whether the Administration had conducted stress tests on the overall economic situation of Hong Kong should Hong Kong face certain worst-case scenarios, such as the persistence of violent protests for over one year; the outbreak of a global trade war; the ongoing decline in Hong Kong's external trade volume; and the loss of Hong Kong's status as a separate customs territory. Mr CHAN was concerned that facing such worst-case scenarios, Hong Kong's economy would be dragged into a downward spiral with consecutive years of negative growth and rising unemployment; plummeting international credit ratings and possible structural deficits.

8. FS said that financial regulators had been conducting stress tests to see if a smooth and orderly functioning of different facets of Hong Kong's financial system would continue. The Government Economist had been conducting scenario analyses and dynamic assessment on the impacts on Hong Kong's economy in extreme conditions. With strong fiscal reserves, the Administration considered it desirable to introduce more countercyclical measures to safeguard jobs, help the needy and prop up the economy in difficult times. It was estimated that there might be unavoidable fiscal budget deficits in the financial years of 2019-2020 and 2020-2021. Such deficits would not affect Hong Kong's fiscal sustainability given the strength of Hong Kong's robust fiscal reserves.

9. Mr Jimmy NG said that the industrial sector, especially those companies whose products were exported to the US, was very concerned about the impact of the enactment of the Hong Kong Act in terms of increased tariffs on Hong Kong exports. He enquired about the Administration's assessment on the possibility of the US Government restricting or even barring the clearing and settlement of foreign exchange transactions between the US and Hong Kong by virtue of the Hong Kong Act, which could render US-Hong Kong trade impossible and if so, what actions the Administration would take to maintain the Linked Exchange Rate System ("LERS").

10. FS said that LERS was Hong Kong's internal affairs, and the US authorities' approval was not required for the peg of Hong Kong dollars to the US dollars. LERS had been implemented in Hong Kong since 1983 and was the cornerstone of

Hong Kong's monetary and financial stability. It had weathered many economic cycles and proved highly resilient in the face of regional and global financial crises over the past 36 years. The Administration considered LERS had been operating effectively and had no intention to change it. In the past, measures to restrict the clearing and settlement of foreign exchange transactions between the US and some other countries imposed by the US Government were mainly applied to individual organizations. As US-funded banks were heavily involved in clearing and settlement of foreign exchange transactions between the US and Hong Kong, a great deal of US commercial interests were at stake. Nevertheless, the Administration would keep in view the latest developments.

11. Noting the overall gloomy global economic outlook in the coming few years, Dr CHIANG Lai-wan enquired whether the Administration would review its Capital Works Programme and defer those projects which were accorded a lower priority, so as to cut down the expenditure of the public works projects to be carried out and save money for the rainy days ahead.

12. FS advised that in view of the immense downward pressure on the economy, the Administration intended to suitably increase public expenditure to achieve countercyclical effect and prop up the economy. The Administration considered it unnecessary to adjust downward the expenditure of public works and infrastructural projects at this stage. The Administration would also continue to inject capital into transport infrastructure and railway projects connecting remote areas in order to open up more land for residential development. That said, prudent financial management and stringent controls on the expenditure of such capital projects would be maintained to ensure that money would be well spent for meaningful purposes.

13. Noting that the four packages of helping measures introduced by the Administration so far had already costed HK\$25 billion, Mr Christopher CHEUNG expressed concern that the prolonged social incidents would widen the budget deficit and provide opportunities for international market manipulators to launch speculative attacks against Hong Kong's currency and financial markets.

14. FS said that the Administration and financial regulators had implemented anticipatory measures to deal with volatility in the currency and financial markets, say for example, by adjusting the margin requirements to lower the leverage of the equity market. Moreover, the Administration and financial regulators had been staying vigilant, closely communicating with each other and monitoring the situation of the financial and monetary markets, in particular short-selling activities. Through the concerted effort of the financial regulators, market risks had been largely brought under control.

Measures to support small and medium enterprises and Hong Kong people

15. Whilst expressing support for the Administration's latest package of helping measures announced by FS on 4 December 2019 to support enterprises and safeguard jobs, Mr WONG Ting-kwong said that the latest measures were neither targeted to help micro, small and medium enterprises ("MSMEs") and small traders which were particularly hard hit under the prevailing socio-economic environment, nor to assist enterprises affected by vandalism. He said that such measures were only temporary in nature, and that the Administration should tackle the root cause of the problem and make Hong Kong a peaceful and prosperous city again. Mr Holden CHOW welcomed the four packages of measures introduced by the Administration so far to support enterprises and safeguard jobs, notably the enhancement under the Love Upgrading Special Scheme administered by the Employees Retraining Board to benefit the employees, by increasing the maximum amount of monthly allowance per trainee from HK\$4,000 to HK\$5,800.

16. FS said that the fourth package of helping measures included electricity subsidy and taxation measures which would benefit MSMEs and small traders. The Administration strongly condemned vandalism and attached great importance to maintaining social order and stability so that business activities could resume to normal and that the economy could pick up growth momentum again.

17. Mr Martin LIAO expressed support for the Administration's measures to support small and medium enterprises ("SMEs") and Hong Kong people. He urged the Administration to strive for early implementation of the four packages of measures announced so far to help SMEs and the people tide over the difficult times. Noting that the HK\$1 billion Crunch Time Instant Relief Fund Project launched by the Li Ka Shing Foundation had processed 43 000 applications within three weeks with the help of cloud and artificial intelligence technologies, Mr LIAO suggested that the Administration should also make use of the Next Generation Government Cloud Infrastructure ("GovCloud") and Big Data Analytics Platform which had obtained HK\$530 million in funding as approved by the Finance Committee in May 2018 to expedite the implementation of the Administration's helping measures.

18. Secretary for Information and Technology ("S for IT") explained that the GovCloud and Big Data Analytics Platform, which was under construction, aimed to support agile delivery of e-Government services using big data and cloud services. FS added that among the helping measures, those which did not involve legislative amendment or expenditure, such as measures involving rental reduction, had already been implemented.

19. Mr CHAN Chi-chuen expressed disappointment about the high threshold and complicated procedures for the latest helping measure to allow individual taxpayers and enterprises to settle tax bill by installments, in that the taxpayer or

enterprise concerned had to submit an application with documentary proof of financial situation for the past three months, and propose an installment plan. Mr CHAN also enquired about the time and manpower required for processing such applications.

20. FS said that it was not a new measure to allow individual taxpayers or enterprises to pay tax by installments. Those who found it difficult to meet tax payments on time could apply to the Inland Revenue Department ("IRD") for payments by installments, and IRD would, on a case by case basis under justifiable circumstances approve such applications. The key to the latest helping measure was to waive the surcharge on the tax in arrears if payment by installments had been approved. IRD would explore room for further simplification of the relevant procedures, and ways to expedite the approval process. The manpower required would be absorbed by internal deployment within IRD.

21. Mr MA Fung-kwok expressed concern that the Administration had not introduced any dedicated measures to mitigate the impact of the social incidents on the cultural and creative industries in the latest package of helping measures. He said that many concerts were postponed or cancelled in recent months due to the ongoing social incidents. Moreover, the film and publishing industries were also hard-hit as investors became cautious amidst the current sociopolitical climate. He enquired about the Administration's measures to support the local cultural and creative industries.

22. Secretary for Commerce and Economic Development ("SCED") said that in the past two years, the Administration had allocated HK\$1 billion each into the funds for developing the local non-film creative industries and the film industry respectively to provide subsidy, training and assisting in market development. A number of new facilitation measures benefitting the film and television industry, and the printing and publishing industry had also been introduced under the Amendment Agreement on Trade in Services of the Mainland and Hong Kong Closer Economic Partnership Arrangement.

23. Noting that the local tourism industry had been hard hit by the recent social incidents as both inbound and outbound tourists figures plummeted, Mr YIU Si-wing urged the Administration to strengthen, in due course, overseas tourism promotion effort to allay concerns about Hong Kong's situation. Noting that the local aviation industry was also struggling and a local airline was facing a financial crisis, Mr YIU urged the Administration to support the aviation industry by lowering fees and charges such as aircraft landing and parking charges.

24. FS advised that the Transport and Housing Bureau had been studying measures to support the aviation industry. SCED added that the Hong Kong Tourism Board had formulated a set of measures for tourism promotion, and had

already resumed promotion targeting short haul visitors from regional markets such as Malaysia and Thailand. Promotion programmes targeting inbound multi-destination visitors looking to travel to the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") via Hong Kong would also be launched shortly. The Administration would also collaborate with the Mainland tourism authorities to promote multi-destination tourism to the Mainland via Hong Kong. For visitors in the Mainland and other countries who were concerned about coming to Hong Kong, the respective Economic and Trade Offices ("ETOs") and liaison offices would continue to update the business associations and consulates concerned on Hong Kong's latest situation and to clarify any misunderstandings.

25. The Chairman relayed the concerns raised by SMEs that banks were barred from approving loans to them under the SME Loan Guarantee Scheme due to the stringent requirements on the repayment ability of the borrowers imposed by the Hong Kong Monetary Authority ("HKMA"). He urged the Administration to explore with HKMA the possibility of relaxing the relevant guidelines and requirements, so as to enable SMEs to secure the necessary loan to tide over the difficult times.

26. FS said that the Administration would follow up with HKMA on the issue of concern. To strengthen funding support to SMEs, HKMA had established a Banking Sector SME Lending Coordination Mechanism, comprising representatives from major banks, the Hong Kong Mortgage Corporation and the Hong Kong Association of Banks, to facilitate communication among the banking industry and SMEs in need of financing. HKMA, together with the banking sector, would continue to maintain close dialogue with the business sector with a view to providing appropriate support to SMEs.

Impact on innovation and technology development

27. Ms Elizabeth QUAT enquired about the impact of the social incidents on Hong Kong's innovation and technology ("I&T") development, and the Administration's measures to retain I&T investment and talent in Hong Kong. Sharing a similar view, Mr Holden CHOW enquired about the impact of the Hong Kong Act on the development of I&T industry in Hong Kong, and the Administration's measures to mitigate the problem.

28. S for IT said that the recent internal and external environment facing Hong Kong had inevitably brought uncertainties to the local research and development ("R&D") and the I&T industry. Overseas I&T enterprises had become more cautious in deploying talents to work in Hong Kong in the short term, and some had slowed down their pace of business expansion. Certain scheduled I&T events were postponed or cancelled. That said, there was no sharp rise in the

surrender of tenancy by tenants at the Cyberport and the Hong Kong Science Park. Meanwhile, the Administration had introduced a number of measures to support the I&T industry by lowering their operating costs and improving their cash flow situation, and would continue to help I&T enterprises in need to tide over the storm. He emphasized that the Administration would continue to leverage Hong Kong's existing advantages and create a favourable environment for the development of I&T industry, including the establishment of the InnoHK research clusters.

The United States' Hong Kong Human Rights and Democracy Act

29. Mr Alvin YEUNG enquired whether FS had tried to persuade the Chief Executive at the Executive Council ("ExCo") meetings to take serious note of the views expressed by Hong Kong people on human rights and freedom. He also enquired whether FS and other principal financial officials had taken any actions to maintain the confidence of the international community in still seeing Hong Kong as a city respecting human rights and freedom.

30. FS said that as ExCo's proceedings were subject to confidentiality principle, he was not in a position to divulge the deliberations therein. FS said that during his official visits to the US and the United Kingdom in October 2019, he met with representatives of the business community, think-tanks and financial sector and relevant government officials, explaining to them the latest situation of Hong Kong. Explanatory work was also done through exchange of information, reciprocal official visits, participation in international conferences, and regular liaison of the overseas ETOs under the leadership of SCED.

31. Mr Kenneth LEUNG expressed concern about Hong Kong being considered by the US, European countries and Japan as a "white glove" for illicit transfer of sensitive high technologies to the Mainland. He urged the Administration to step up protection of intellectual property ("IP") rights. Noting that Hong Kong had only signed about 40 Comprehensive Avoidance of Double Taxation Arrangements with other countries so far, he urged the Administration to speed up the progress of entering into such arrangements with other countries.

32. FS said that Hong Kong had been doing well in IP protection as well as in the prevention of illicit transfer of sensitive high technologies to unintended recipient countries. SCED added that Hong Kong had robust import and export control of strategic commodities based on the Import and Export Ordinance (Cap. 60) and the Import and Export (Strategic Commodities) Regulations (Cap. 60G). Under Cap. 60G, import, export, re-export and transshipment of articles specified in the Schedules to the Regulations were under licensing control. Hong Kong's effective export control system had been recognized by its trading partners and in respect of the US, the same had been reflected in the US Administration's reports to US Congress.

33. Ms Starry LEE and Ms Elizabeth QUAT felt strongly about certain political figures trying hard to lobby foreign governments to impose sanctions on Hong Kong. Ms LEE said that Hong Kong had been used as a pawn in the trade war which the US had waged against China. Noting that some political figures were providing misleading information to a number of overseas parliaments and urging them to enact legislation similar to the Hong Kong Act to sanction Hong Kong, Ms LEE enquired what lobbying efforts would HKSARG make in response, and what was the Administration's assessment of the actual impact of the Hong Kong Act on Hong Kong. The Chairman, Mr SHIU Ka-fai and Mr Martin LIAO shared similar view. The Chairman also said that the business community of Hong Kong was willing to render assistance in HKSARG's overseas lobbying efforts.

34. FS said that HKSARG had been making clear to the international community that Hong Kong's unique status was conferred by the Basic Law rather than granted unilaterally by any other country, and such a status was well recognized and respected by the international community. SCED added that Hong Kong had been participating in international organizations such as World Trade Organization, Asia-Pacific Economic Cooperation and World Customs Organization as a separate member. Hong Kong was making use of this capacity in the international economic and trade arena to establish mutually beneficial relations with trading partners around the world. HKSARG would make clarifications to the consulates general and trade associations of relevant countries in Hong Kong on the latest situation of Hong Kong, and would make such clarifications through relevant overseas ETOs and during overseas visits to such countries. Quoting the increasing number of Mainland and overseas companies setting up their headquarters in Hong Kong, SCED emphasized that other economies had been respecting Hong Kong's status as a separate customs territory and a base for regional development.

35. Noting that the enactment of the US-Hong Kong Policy Act in 1992 which established the policy of the US Government to treat Hong Kong as a non-sovereign entity distinct from China was welcomed by the then Hong Kong Government, Mr James TO and Mr CHAN Chi-chuen did not agree that it was against the interest of the Hong Kong people now to draw other countries' attention and concern to the situation of Hong Kong, and to urge the US Government to enact the Hong Kong Act. Noting that China had taken certain countermeasures against the US in response to the enactment of the Hong Kong Act, Mr TO enquired whether HKSARG would follow suit and what actions would be taken.

36. SCED stressed that notwithstanding the enactment of the Hong Kong Act by the US, the unique status of Hong Kong as a separate customs territory would remain unchanged, as it was conferred upon Hong Kong by virtue of Articles 116

and 151 of the Basic Law rather than granted by any other country. The enactment of the Hong Kong Act was neither necessary nor warranted, and the Act unnecessarily interfered in the internal affairs of Hong Kong and would not help ease Hong Kong's situation. On the contrary, it might inevitably damage the mutually beneficial relationship between Hong Kong and the US.

37. Mr WU Chi-wai said that the top priority should be to restore Hong Kong people's trust in HKSARG. To this end, the Administration should take steps to fully protect Hong Kong's democracy, freedom and human rights rather than to suppress these core values with brutal force. Sharing a similar view, Mr Andrew WAN enquired what steps HKSARG would take to rebuild the confidence of the international community in Hong Kong. In this regard, the Chairman urged the Administration to proactively make adjustments to policy directions to return Hong Kong to peace, so that Hong Kong would thrive again.

38. FS stressed that the Administration had never suppressed any protest activities with brutal force. FS said that notwithstanding the social incidents in the past few months, Hong Kong's institutional strengths and core competencies were still highly recognized by many international rating agencies and think-tanks. Such strengths and competencies included Hong Kong's unique status under the "one country, two systems" principle; rule of law; independence of the judiciary; free flow of capital, people and information; simple and low tax regime; and robust fiscal reserves. HKSARG would continue to have open dialogue with the community and make suitable responses in different policy areas such as increasing housing supply.

39. Noting the alleged forced resignation of the Chief Economist of a Chinese state-owned bank as a result of his remarks about the social incidents, Mr AU Nok-hin expressed concern about the rights and freedom of Hong Kong people in the face of increasing socio-economic influence from the Mainland.

40. FS said that the ever-strengthening economic relationship with the Mainland had been one of the major factors of Hong Kong's successful economic development. The Belt and Road Initiative and the Greater Bay Area development had brought Hong Kong new impetus for growth and expanded Hong Kong's scope of development. For two decades after the handover, HKSARG had successfully maintained Hong Kong's freedom of expression, rule of law, judicial independence and way of life under the principle of "One Country, Two Systems". HKSARG would continue to uphold such core values of Hong Kong.

41. Mr CHU Hoi-dick said that recent social incidents and the results of the 2019 District Council Election had demonstrated that many Hong Kong people were willing to defend their freedom of speech and political rights even at the expense of their economic interests. The result of a recent survey by the

Hong Kong Public Opinion Research Institute had indicated that about 60% of the respondents supported the enactment of the Hong Kong Act which allowed the US Government to impose sanctions on Hong Kong officials.

42. FS said that regardless of their political views, Hong Kong people nowadays enjoyed freedom of expression. Regarding the Hong Kong Act, there were divided views among the people of Hong Kong, with many opposing to its enactment.

III. Any other business

43. There being no other business, the meeting ended at 12:49 pm.

Council Business Division 1
Legislative Council Secretariat
21 February 2020