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

**Information note prepared by the Legislative Council Secretariat
for the joint meeting on 6 December 2019**

**Economic impact of the recent social incidents and
changes to external environment on Hong Kong**

Background

Members have at different Panel meetings raised grave concern about the impact of the recent social incidents and the passage of the Hong Kong Human Rights and Democracy Act of 2019 ("the Hong Kong Act")¹ by the United States ("US") Congress on Hong Kong's economy and the business environment of various sectors, in particular the small and medium enterprises ("SMEs") and micro-enterprises. Subsequently, the Panel on Commerce and Industry ("CI Panel"), Panel on Economic Development, Panel on Financial Affairs and Panel on Information Technology and Broadcasting have agreed to hold a joint meeting to discuss relevant issues with the Administration, including: (a) the current situation and forecast of Hong Kong's business environment in the midst of the impact of the protests arising from the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019, the Hong Kong Act and the trade conflict between China and the US; and (b) the support measures to help enterprises in various sectors, in particular SMEs, and the public to tide over the difficult times.

¹ Details of the Hong Kong Human Rights and Democracy Act of 2019 are set out in the Information Note (LC Paper No. IN02/19-20) prepared by the Research Office of the Legislative Council Secretariat.

Enhanced support to small and medium enterprises

2. At the meeting on 29 October 2019, the Administration sought the support of members of CI Panel for its proposed additional measures to support local enterprises, particularly SMEs, and to safeguard jobs, including, amongst others:

- (a) further injecting HK\$1 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales² thereby doubling the cumulative funding ceiling per enterprise under its Mainland Programme to HK\$2 million;
- (b) injecting HK\$1 billion into the SME Export Marketing Fund³ thereby doubling the cumulative funding ceiling per enterprise to HK\$800,000; and
- (c) introducing a new loan guarantee product under the SME Financing Guarantee Scheme,⁴ under which 90% guarantee will be provided for approved loans to help smaller-sized enterprises and businesses with relatively less operating experience, as well as professionals seeking to set up their own practices to obtain financing.

3. Members of CI Panel in general supported the above proposed additional measures, and suggested that in addition to rolling out more funding schemes to assist the trade amidst the economic downturn, the Administration should help enterprises, in particular SMEs, to identify funding schemes most suitable to their business needs for application. Members also urged the Administration to consolidate funding schemes with similar ambits, lower the application thresholds for the consolidated schemes and simplify relevant application procedures.

² Established in 2012, the Dedicated Fund on Branding, Upgrading and Domestic Sales provides funding support to non-listed Hong Kong enterprises to enhance their competitiveness and further business development in the Mainland and the Association of Southeast Asian Nation markets through developing brands, upgrading and restructuring operations and promoting sales.

³ Established in 2001, the SME Export Marketing Fund provides financial support to encourage the small and medium enterprises to expand their markets outside Hong Kong through participation in export promotion activities.

⁴ To tide enterprises over financing difficulties as a result of possible credit crunch, the Government provided a total loan guarantee commitment of HK\$100 billion for the Hong Kong Mortgage Corporation Limited to launch in May 2012 the 80% guarantee product to provide 80% guarantee on loans at a substantially reduced guarantee fee.

Council questions

Hong Kong Human Rights and Democracy Act of 2019

4. According to the Administration's replies to relevant questions raised by Members at Council meetings, the Administration reiterated that Hong Kong's unique status was not granted unilaterally by any other country, but was conferred by the Basic Law.⁵ Hong Kong's unique status was well recognized and respected by the international community. Hong Kong's economic and trade status was on par with other members of the World Trade Organization, and 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.

5. The Administration also advised that the US had over the years been conducting economic and trade exchanges with Hong Kong in accordance with the US-Hong Kong Policy Act,⁶ had been respecting Hong Kong as a separate customs territory, and had on this basis established mutually beneficial bilateral economic and trade relations with Hong Kong. The two places had a close and reciprocal bilateral relationship.

6. Therefore, the Administration held that the passage of the Hong Kong Act by the US Congress unilaterally was unnecessary and would certainly damage the mutually beneficial relationship, including the US' interests. The uncertainty so caused would inevitably affect the confidence of international investors and companies in Hong Kong. As for the actual impact on Hong Kong, it would depend on the specific measures and changes adopted by the US Administration after the Hong Kong Act was signed into law by the US President. The Administration would closely monitor the development on the matter. The Administration would also continue to explain to countries around the world the successful implementation of "One Country, Two Systems" since Hong Kong's return to the Motherland, and promote Hong Kong's unique status under the Basic Law and "One Country, Two Systems" as well as Hong Kong's various advantages.

⁵ Article 116 of the Basic Law stipulates that the Hong Kong Special Administrative Region is a separate customs territory and Article 151 provides that Hong Kong may, using the name "Hong Kong, China", participate in international organisations such as the World Trade Organization and the Asia-Pacific Economic Cooperation as a separate member.

⁶ The United States ("the US") enacted in 1992 the US-Hong Kong Policy Act which sets out its policy and principled positions towards Hong Kong. The relevant law is a policy act of the US itself but not an international or bilateral agreement.

Economic impacts of the recent social incidents

7. The Administration advised that it was well aware of the pressure borne by SMEs and members of the public amid the economic downturn. The Administration had announced rounds of support measures for enterprises, especially those impacted rather directly, to safeguard jobs. The Hong Kong Monetary Authority ("HKMA") established a Banking Sector SME Lending Coordination Mechanism to implement a series of support measures for SMEs. The Administration would continue to provide appropriate support to business operators and the general public for them to tide over the current difficulties.

8. Regarding the impact on Hong Kong's banking system, the Administration advised that the liquidity of Hong Kong's banking system remained ample, and the interbank market continued to operate orderly. There was no noticeable outflow of funds from the Hong Kong dollar or from the banking system. HKMA would continue to closely monitor changes in the foreign exchange market and the local money market, maintain the stability of the Hong Kong dollar exchange rate through the Linked Exchange Rate System and provide liquidity support to banks if necessary.

9. As far as labour supply was concerned, the Administration advised that although there was no sign of a large-scale brain drain for the time being, the Administration would continue to promote diversified economic development, foster local talents and attract foreign talents in various aspects to tie in with the long-term development of Hong Kong's economy. To assist employees who were affected by the recent economic downturn to enhance their skills and self-improvement, the Employees Retraining Board commissioned the Love Upgrading Special Scheme in early October 2019 to provide free integrated skills enhancement training and special allowance for the trainees.

10. The relevant questions raised by Members and the Administration's replies are in **Appendices I to III**. The Administration's responses to the passage of acts and resolution on Hong Kong by the US House of Representatives and the Senate, and the Hong Kong Act and another act on Hong Kong becoming the US law are in **Appendices IV to VI**.

Press Releases

LCQ4: International image and business environment of Hong Kong

Following is a question by the Hon Cheng Chung-tai (Hon Starry Lee to ask on his behalf) and a reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (October 23):

Question:

Earlier on, the legislative amendments concerning the surrender of fugitive offenders proposed by the Government have aroused concerns of the international community. The United States-China Economic and Security Review Commission of the United States (US), the European Union (EU) Office to Hong Kong and Macao and the diplomatic representatives of EU member states, as well as the International Chamber of Commerce-Hong Kong have raised objections one after another. They are worried about the safety of businessmen, journalists, rights and interests advocates and political activists in Hong Kong in the wake of the passage of the legislative amendments, and a deterioration of Hong Kong's freedom, level of the rule of law and the business environment. In addition, the US Government warned the Hong Kong Government in May this year not to allow an Iranian oil tanker to berth at Hong Kong or provide replenishment to that oil tanker. Also, quite a number of businessmen are worried about the international status of Hong Kong being shaken as a result of Hong Kong being caught in the crossfire of the trade war between China and the US. In this connection, will the Government inform this Council:

(1) whether it has assessed the impact of the aforesaid incidents on Hong Kong's international image, and of the counter measures to be adopted by the Government; and

(2) whether it has assessed if there will be an exodus of overseas enterprises and professionals from Hong Kong for worries of deterioration of the human rights situation and the business environment in Hong Kong; if it has assessed and the outcome is in the affirmative, of the counter measures; if the outcome is in the negative, the reasons for that?

Reply:

President,

Thank you the Hon Starry Lee. In the past four months, the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019 (the Bill) has caused controversy in the society. Hong Kong experienced many large and small-scale demonstrations, processions and rallies, many of which turned into violent incidents. Some of the radical acts of demonstrators, including blockage of the airport, vandalism of MTR facilities, and street violence, have definitely affected Hong Kong's international image and raised concerns on whether Hong Kong is still a safe city. In fact, so far 40 countries have issued advice on travelling to Hong Kong.

Other than impairing Hong Kong's international image, the impact of the social conflict has spread to all business

sectors. Among them, tourism, retail and catering industries bear the brunt. Business has plummeted and the sectors are facing unprecedentedly severe challenges. Take conventions, exhibitions and tourism events as an example. Recently, a number of large-scale outdoor events, including the Hong Kong Wine and Dine Festival and the Hong Kong Cyclothon, have been cancelled one after another. Fortunately, with careful arrangements by the organisers, most of the indoor conventions and exhibitions were held smoothly, and most of the exhibitors and buyers visited as planned for carrying out procurement activities in Hong Kong.

In addition to our internal problems, on the external environment front, as a result of the ongoing trade war between the Mainland and the United States, global economic growth has slowed down, bringing direct and indirect negative impact on Hong Kong economy.

Since July this year, there have been sharp reductions in visitor arrivals and retail sales, a continued decline in exports as well as deeply dampened business, investment and consumption sentiments. Certain industries have recorded the worst business performance recently. It is very likely that the Hong Kong economy has already slipped into a technical recession in the third quarter. In mid-August, the Government lowered the economic growth forecast for 2019 to 0-1 per cent.

Nevertheless, we have not yet seen any large-scale outflow of capital and talents. Hong Kong's institutional strengths and core competencies are still recognised by many international institutions. However, should demonstrations persist and escalate, it will have a longer-term impact on Hong Kong's business environment and make the subsequent recovery process more difficult.

The Government understands the pressure borne by small and medium enterprises and members of the public amid an economic downturn. We announced in August and September respectively two rounds of support measures for enterprises to safeguard jobs, for example, strengthening protection for exporters, assisting enterprises to diversify their developments, upgrade and restructure their business operations, and to develop new markets. To further support enterprises in coping with cashflow requirements, we have recently introduced an arrangement of principal moratorium of a maximum of 12 months, during which only interest payments have to be made. For the tourism industry, the Government, in conjunction with the Travel Industry Council of Hong Kong and the Hong Kong Tourism Board, rolled out last month various measures to support the trade in tackling the current economic difficulties, including fees and rental waiver, subsidy on professional training, etc.

Yesterday, the Financial Secretary further announced a new round of measures to support enterprises and safeguard jobs. The Government will maintain close communication with the trade and introduce further support measures if necessary.

President, half an hour ago, I also announced, jointly with the Hong Kong Tourism Board and the Travel Industry Council of Hong Kong, a measure to support the tourism trade, which is to provide travel agents with incentive payments (based on the number of visitors/travellers they serve). We hope the measure can give timely assistance to the trade.

I once again call on the immediate cessation of protests

and violent acts, and the community to return to rational dialogue. Once peace is restored, we will, in collaboration with the relevant organisations, chambers of commerce and professional bodies, devote more efforts and resources to carrying out promotional work and other measures to rebuild international confidence in Hong Kong.

Ends/Wednesday, October 23, 2019
Issued at HKT 18:07

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Press Releases

LCQ3: Impacts of recent political situation

Following is a question by the Hon Paul Tse and a reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (October 30):

Question:

Since June this year, tens of thousands of people took to the street for many times to protest against the proposals to amend the law concerning surrender of fugitive offenders, and to demand the Chief Executive and relevant officials to take responsibility by stepping down. Some demonstrators blocked roads, besieged government buildings and clashed with the Police on a number of occasions. There are comments that the aforesaid situation shows that there is a serious dissension within society and a complete loss of mutual trust between the Government and the people. Also, disputes and agitation in society have caused instability in the economy as well as anxiety in people's mind. For example, a developer gave up, undeterred by forfeiture of the deposit it had paid, a site which it had won in a bidding exercise, and some companies shelved their listing plans. Moreover, it is learned that a tide of emigration from Hong Kong has recurred. In this connection, will the Government inform this Council:

(1) whether it has assessed how the status of Hong Kong as an international city and a top-notch investment and financial centre has been undermined by the widespread anger among the people which has been triggered by the Government's proposed legislative amendments; of the measures put in place to restore the confidence of the international community and members of the public in Hong Kong's future;

(2) whether it has assessed the negative impacts of the depressing social sentiment and the chaotic political situation on the local property and stock markets as well as the overall economy, and the mitigation measures; and

(3) whether it has assessed the negative impacts of the resurgence of the emigration tide on Hong Kong's economic development and labour supply, and of the mitigation measures?

Reply:

President,

In the past four months, Hong Kong has been facing unprecedentedly severe challenges. Demonstrations, processions and rallies have turned into violent incidents and have definitely affected Hong Kong's international image. The impact of the social conflict has spread to all business sectors. Among them, tourism, retail and catering industries bear the brunt. Business has plummeted.

Having consulted other relevant bureaux, our consolidated response to the three parts of the question is as follows:

(1) The core competencies of Hong Kong as an international

financial centre remain well in place. Different facets of Hong Kong's financial system have been functioning smoothly and orderly so far. Article 112 of the Basic Law safeguards the free flow of capital within, into and out of Hong Kong. The Linked Exchange Rate System of Hong Kong has served as the cornerstone for Hong Kong's monetary and financial stability. Our simple and transparent taxation system, effective infrastructure, sound financial regulatory regimes and rule of law, as well as quality professional services lay the foundation for Hong Kong's platform as an international financial centre.

Hong Kong's banking system has been sound and robust. The liquidity of our banking system remains ample, and the interbank market continues to operate orderly. There was no noticeable outflow of funds from the Hong Kong dollar or from the banking system based on the latest statistics on deposits and money supply. The Hong Kong Monetary Authority (HKMA) will continue to closely monitor changes in the foreign exchange market and the local money market, maintain the stability of the Hong Kong dollar exchange rate through the Linked Exchange Rate System and provide liquidity support to banks if necessary.

The Securities and Futures Commission (SFC) has been closely monitoring the securities market. The trading and clearing operations of the Hong Kong stock and derivatives markets have been performing in an orderly manner in spite of the increasing market volatility.

The Government and financial regulators will stay vigilant, conduct stress tests regularly, communicate closely and monitor the latest situation of the financial market, with a view to ensuring financial stability. We will also strive to sharpen Hong Kong's attractiveness as an international financial centre through a multi-pronged approach.

The confidence of the international community and our citizens in Hong Kong's prospect has a bearing on Hong Kong's status as an international financial centre. All sectors of the society must work together to stop violence and restore the social order as soon as possible, in order to allow the general public to resume normal lives and allow the trade and business to resume normal operations.

(2) In the context of the global economy, the Hong Kong economy grew slightly by 0.5 per cent year-on-year in the first half of this year, the weakest increase in a decade. The local social events of the past few months have further affected the atmosphere of consumption and investment, which has made the economic situation worse. Since July this year, there have been sharp reductions in visitor arrivals and retail sales, a continued decline in exports as well as deeply dampened business, investment and consumption sentiments. Certain industries have recorded the worst business performance recently. It is very likely that the Hong Kong economy has already slipped into a technical recession in the third quarter. Besides, the current situation has not shown any sign of improvement. The annual economic growth forecast of 0-1 per cent seems extremely difficult to be achieved.

The property market has always been affected by a number of factors, including housing supply and demand, local and external economic environment, interest rates and market expectations etc. China-US trade frictions and recent social events in Hong Kong have also exerted certain impact on the property market. Although

the property market has slackened in the past few months and the property prices in some areas have slightly adjusted, the level of private residential property prices remain high, and is out of line with the economic tone and the affordability of the public. At this stage, the Government has no intention of relaxing or canceling the existing demand-side management measures. We will continue to closely monitor the trend of the property market and the changing external situation and take appropriate measures to maintain the healthy development of the property market. The Chief Executive has just proposed a number of measures in the Policy Address to increase housing and land supply.

In the stock market, there are many unstable factors in the global, regional and local conditions that have implications on the financial markets of the world and Hong Kong. Despite the volatility of the market, the trading and settlement business of the Hong Kong stock and derivatives market is still operating in an orderly manner. We have strived to develop Hong Kong into a broader and deeper platform for fund-raising in the new economy. For instance, with effect from October 28 this year, companies with weighted voting rights structure as listed in Hong Kong could be included as eligible securities under the Southbound Trading of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect upon fulfillment of certain criteria.

The Government is well aware of the pressure borne by small and medium enterprises (SMEs) and members of the public amid an economic downturn. We announced in August, September and October respectively three rounds of support measures amounting to over \$20 billion for enterprises, especially those impacted rather directly, to safeguard jobs. The Government will maintain close communication with the trade and introduce further support measures if necessary. The HKMA has established a Banking Sector SME Lending Coordination Mechanism to implement a series of support measures for SMEs. The Government will continue to provide appropriate support to business operators and the general public for them to tide over the current difficulties.

(3) We have not seen a large scale of brain drain for the time being. Hong Kong's institutional strengths and core competencies remain strong. As long as social activities of violent nature are calmed down, Hong Kong will surely continue to bring together talents from local and international sources. The Government will continue to promote diversified economic development, foster local talents and attract foreign talents in various aspects to tie in with the long-term development of the Hong Kong economy.

To assist employees who are affected by the recent economic downturn to enhance their skills and self-improvement, the Employees Retraining Board commissioned the "Love Upgrading Special Scheme" in early October to provide free integrated skills enhancement training and special allowance for the trainees. In addition, the Labour Department has been implementing a number of special employment programmes to encourage employers to employ elderly people, young people and people with disabilities.

Thank you, President.

Ends/Wednesday, October 30, 2019
Issued at HKT 14:40

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Press Releases

LCQ6: Hong Kong Human Rights and Democracy Act

Following is a question by the Hon Christopher Cheung and a reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (November 20):

Question:

Earlier on, the House of Representatives of the United States (US) Congress passed the Hong Kong Human Rights and Democracy Act (the Act). The Act, if passed by the Senate and signed by the President, will become a law. Some members of the business sector are worried that the Act, once implemented, will inevitably affect the exchanges between Hong Kong and the US, make the US Government review the special treatment granted to Hong Kong, and destabilise Hong Kong's external trade relations and its status as an international financial centre. In this connection, will the Government inform this Council:

(1) of the latest assessment of the adverse impacts of the implementation of the Act on aspects such as Hong Kong's external trade relations, investment and listing of foreign-funded enterprises in Hong Kong, and importation of high technology products and know-how;

(2) whether it will step up efforts to lobby the political and business sectors of the US and explain to them the real situation of Hong Kong, so as to avoid the US authorities mistakenly making decisions that are unfavourable to Hong Kong; and

(3) of the contingency plans in place to reduce the impact on Hong Kong's economy to be brought about by the Act upon implementation?

Reply:

President,

Thank you for the question raised by the Hon Christopher Cheung.

Under "one country, two systems", the Basic Law confers on Hong Kong a unique status. Article 116 of the Basic Law stipulates that the Hong Kong Special Administrative Region (HKSAR) is a separate customs territory and Article 151 provides that Hong Kong may, using the name "Hong Kong, China", participate in international organisations such as the World Trade Organization (WTO) and the Asia-Pacific Economic Cooperation as a separate member.

Therefore, Hong Kong's unique status is not granted unilaterally by any other country, but is conferred by the Basic Law. Hong Kong's unique status is well recognised and respected by the international community. Our economic and trade status is on par with other WTO members, and we are making use of this capacity in the international economic and trade arena to establish mutually beneficial relations with our trading partners around the world.

In respect to Hong Kong's return to the Motherland, the United States (US) enacted in 1992 the US-Hong Kong Policy Act (the Policy Act) which set out its policy and principled positions towards Hong Kong. The relevant law is a policy act of the US itself but not an international or bilateral agreement. Over the years, the US has been conducting economic and trade exchanges with Hong Kong in accordance with the Policy Act, has been respecting Hong Kong as a separate customs territory, and has on this basis established mutually beneficial bilateral economic and trade relations with Hong Kong. The US is Hong Kong's second largest merchandise trading partner in the world, while Hong Kong is the US' tenth largest export market. According to the US' statistics, for the past ten years, the US has been enjoying the largest trade surplus with Hong Kong among its many global trading partners, valued at US\$33.8 billion in 2018 alone. In 2017, the US was the seventh major source of inward direct investment into Hong Kong and the ninth major destination of outward direct investment from Hong Kong. Moreover, there are 1 344 US companies in Hong Kong, of which 278 are regional headquarters. Separately, around 85 000 US citizens live in Hong Kong. The close and reciprocal bilateral relation between the two places is obvious.

Therefore, passage of the Hong Kong Human Rights and Democracy Act (the Hong Kong Act) by the US Congress unilaterally is unnecessary and will certainly damage the mutually beneficial relationship, including the US' interests. The uncertainty so caused will inevitably affect the confidence of international investors and companies in Hong Kong. As for the actual impact on Hong Kong, it will depend on the specific measures and changes adopted by the US Administration after the Hong Kong Act is signed into law by the US President. The HKSAR Government will closely monitor development on the matter.

As a matter of fact, safeguarding human rights and freedoms is a constitutional duty of the HKSAR Government. Article 4 of the Basic Law stipulates that the HKSAR shall safeguard the rights and freedoms of the residents of the HKSAR and of other persons in the Region in accordance with law. Human rights and freedoms in Hong Kong are fully protected by the Hong Kong Bill of Rights Ordinance and other legislation, in addition to the Basic Law. Provisions of the International Covenant on Civil and Political Rights as applied to Hong Kong remain in force. The position of the HKSAR Government is very clear: we oppose foreign legislatures interfering in any form in the internal affairs of the HKSAR.

As for explanatory work, the HKSAR Government has been explaining to countries around the world the successful implementation of "one country, two systems" since our return to the Motherland, and promoting Hong Kong's unique status under the Basic Law and "one country, two systems" as well as our own various advantages. Such work is done through exchanges of information, reciprocal official visits, participation in international conferences, and the regular liaison of the overseas Economic and Trade Offices (ETOs). The Financial Secretary visited the US in October 2019, while I visited the US three times in September 2018, June and September 2019 respectively, during which we met with US government officials, Congressmen, think tanks as well as the business community there, and explained clearly Hong Kong's unique status and advantages. In respect of the Hong Kong Act, we have been explaining the situation in Hong Kong to relevant persons and organisations and actively clarifying misunderstandings, stressing that the

changing of US; policies towards Hong Kong is unwarranted and will bring negative impact on the exchanges of people and businesses between the two places. The Chief Executive, myself and officers of the ETOs have written many times to various interlocutors in the US to explain clearly and in detail the HKSAR Government's position.

The ETOs in Washington DC, New York and San Francisco have all along maintained regular contact with various sectors in the US, and they through meetings and other means have explained the actual and latest situation in Hong Kong. Among these, in the case of the ETO in Washington DC, the ETO has met over 200 political and business leaders in this year so far, including federal government officials responsible for Hong Kong affairs in the White House, Department of State, Department of Commerce and the US Trade Representative, as well as members and staffers of Congress.

Looking ahead, the HKSAR Government will continue to strengthen external connections on the above aspects.

Thank you, President.

Ends/Wednesday, November 20, 2019
Issued at HKT 17:30

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Press Releases

HKSARG responds to passage of acts and resolution on Hong Kong by US House of Representatives

The Hong Kong Special Administrative Region (HKSAR) Government today (October 16) expressed regret over the passage of the "Hong Kong Human Rights and Democracy Act" as well as another act and a resolution on Hong Kong by the House of Representatives of the United States Congress.

A government spokesman said, "Since the return to the Motherland, the HKSAR has been exercising 'Hong Kong people administering Hong Kong' and a high degree of autonomy in strict accordance with the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China. The 'one country, two systems' principle has been fully and successfully implemented. 'One country, two systems' is the best arrangement for maintaining Hong Kong's long-term prosperity and stability and for making Hong Kong a favourable place to live and work in. The HKSAR Government will continue to implement the 'one country, two systems' principle resolutely in accordance with the Basic Law.

"Safeguarding human rights and freedoms is a constitutional duty of the HKSAR Government. Article 4 of the Basic Law stipulates that the HKSAR shall safeguard the rights and freedoms of the residents of the HKSAR and of other persons in the Region in accordance with law. Human rights and freedoms in Hong Kong are fully protected by the Hong Kong Bill of Rights Ordinance and other legislation, in addition to the Basic Law. Also, the provisions of the International Covenant on Civil and Political Rights as applied to Hong Kong shall remain in force. The HKSAR Government attaches great importance to human rights and freedoms and is determined to safeguard them.

"In respect of the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019 (the Bill), the Chief Executive announced on September 4 that the HKSAR Government would formally withdraw the Bill.

"In the past few months, there were a series of protests and public order events in Hong Kong. Some of them eventually became violent and illegal incidents, causing damage to district and community facilities as well as injury to members of the public. In response, the Police have been exercising restraint and have been carrying out enforcement actions in strict accordance with the law. On the use of force, police officers will give prior warning, where practicable, and use appropriate force in accordance with police guidelines on the use of force. The purpose of Police's enforcement actions is to protect the life and property of the general public, bring offenders to justice and restore public order as soon as possible.

"At the same time, the Independent Police Complaints Council (IPCC) is conducting a fact-finding study on the handling of large-scale public order events since June, including corresponding actions by the Police, to ascertain the facts and will prepare a report. The IPCC has established a panel of international experts to assist in the relevant work. The content of the report will be made public.

"Regarding strategic trade control, Hong Kong is a separate customs territory under the Basic Law. We have been implementing comprehensive control on import, export and re-export of strategic commodities in accordance with the laws of Hong Kong and international control lists, and carrying out rigorous enforcement. We will continue to maintain close co-operation with the US and other trading partners on the matter.

"Concerning constitutional development, universal suffrage of 'one person, one vote' for selecting the Chief Executive and electing all members of the Legislative Council is enshrined as an ultimate aim in the Basic Law. To achieve this aim, the community needs to engage in dialogues, premised on the legal basis and under a peaceful atmosphere with mutual trust, with a view to narrowing differences and attaining a consensus agreeable to all sides. The HKSAR Government will assess the situation carefully and take forward constitutional development in accordance with the Basic Law and the relevant Interpretation and Decisions of the Standing Committee of the National People's Congress."

The spokesman reiterated that foreign legislatures should not interfere in any form in the internal affairs of the HKSAR.

Ends/Wednesday, October 16, 2019
Issued at HKT 7:42

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Press Releases

HKSARG responds to passage of acts on Hong Kong by US Senate

The Hong Kong Special Administrative Region (HKSAR) Government today (November 20) expressed deep regret over the passage of the "Hong Kong Human Rights and Democracy Act" and another act on Hong Kong by the Senate of the United States (US) Congress.

A Government spokesman said, "The 'Hong Kong Human Rights and Democracy Act' and the other act on Hong Kong are unnecessary and unwarranted. They will also harm the relations and common interests between Hong Kong and the US.

"Since the return to the Motherland, the HKSAR has been exercising 'Hong Kong people administering Hong Kong' and a high degree of autonomy in strict accordance with the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China. The 'one country, two systems' principle has been fully and successfully implemented. 'One country, two systems' is the best arrangement for maintaining Hong Kong's long-term prosperity and stability and for making Hong Kong a favourable place to live and work in. The HKSAR Government will continue to implement the 'one country, two systems' principle resolutely in accordance with the Basic Law.

"Safeguarding human rights and freedoms is a constitutional duty of the HKSAR Government. Article 4 of the Basic Law stipulates that the HKSAR shall safeguard the rights and freedoms of the residents of the HKSAR and of other persons in the Region in accordance with law. Human rights and freedoms in Hong Kong are fully protected by the Hong Kong Bill of Rights Ordinance and other legislation, in addition to the Basic Law. Also, the provisions of the International Covenant on Civil and Political Rights as applied to Hong Kong shall remain in force. The HKSAR Government attaches great importance to human rights and freedoms and is determined to safeguard them.

"In respect of the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019 (the Bill), the Chief Executive announced on June 15 that the Bill was suspended and later made it clear that all the legislative work had come to a complete halt. The Chief Executive further announced on September 4 that the HKSAR Government would formally withdraw the Bill and the Secretary for Security withdrew the Bill at the Legislative Council meeting on October 23.

"Since early June this year, there have been over 700 public demonstrations, processions and public meetings staged in Hong Kong. Many of them have eventually turned into violent illegal activities. In response, the Police have been exercising restraint and have been carrying out enforcement actions in strict accordance with the law. The Police have the statutory duty to maintain public safety and public order. Hence, whenever unlawful assembly or violent action occurs, the Police have to take appropriate actions to protect the life and property of the general public, bring offenders to justice and restore social peace.

"Regarding trade control, Hong Kong has in place a stringent regime which has all along been recognised internationally. Under the Basic Law, Hong Kong is a separate customs territory. We will as always implement comprehensive control on import, export and re-export of strategic commodities in accordance with the laws of Hong Kong and international control lists, as well as carry out rigorous enforcement.

"Concerning constitutional development, universal suffrage of 'one person, one vote' for selecting the Chief Executive and electing all members of the Legislative Council is enshrined as an ultimate aim in the Basic Law. To achieve this aim, the community needs to engage in dialogues, premised on the legal basis and under a peaceful atmosphere with mutual trust, with a view to narrowing differences and attaining a consensus agreeable to all sides. The HKSAR Government will assess the situation carefully and take forward constitutional development in accordance with the Basic Law and the relevant Interpretation and Decisions of the Standing Committee of the National People's Congress."

The spokesman said, "Hong Kong's unique status was conferred upon by the Basic Law, but not unilaterally granted by any country. The unique status of Hong Kong has all along been widely recognised and respected by the international community. Hong Kong's economic and trade status is also the same as that of other members of the World Trade Organization. Hong Kong has therefore established mutually beneficial co-operative relationship with various trade partners in the world including the US. According to US statistics, the US has in the past ten years earned the largest worldwide bilateral trade surplus with Hong Kong amongst her trade partners in the world, at over USD 33 billion in 2018. According to the latest statistics of Invest Hong Kong and Census and Statistics Department, there are 1 344 US companies in Hong Kong, of which 278 are regional headquarters. At the same time, about 85 000 US citizens live in Hong Kong. Any unilateral change of US economic and trade policy towards Hong Kong will create negative impact on the relations between the two sides as well as US' own interests."

The spokesman reiterated that foreign legislatures should not interfere in any form in the internal affairs of the HKSAR.

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Press Releases

HKSARG strongly objects to acts on Hong Kong becoming US law

The Hong Kong Special Administrative Region (HKSAR) Government today (November 28) expressed strong opposition to the fact that the "Hong Kong Human Rights and Democracy Act" (the Act) and another act on Hong Kong have become United States (US) law and deeply regretted that the US has disregarded the genuine concerns raised repeatedly by Hong Kong on the two acts. The two acts clearly intervene in Hong Kong's internal affairs. They are unnecessary and unwarranted, and would harm the relations and common interests between Hong Kong and the US.

A Government spokesman said, "The two acts are unreasonable. Although human rights and democracy are mentioned in the title of the Act, some of the provisions in the Act are actually about export control and enforcement of the sanctions imposed by the United Nations in Hong Kong, which are totally unrelated to human rights and democracy in Hong Kong. The two acts will also send an erroneous signal to protesters, which is not conducive to alleviating the situation in Hong Kong.

"The US has enormous economic interests in Hong Kong, including earning from Hong Kong the largest bilateral trade surplus amongst her global trading partners for the past decade, and the surplus stood at over USD 33 billion last year. Any unilateral change of US economic and trade policy towards Hong Kong would create a negative impact on the relations between the two sides as well as the US' own interests. Furthermore, Hong Kong and the US have all along had close co-operation on export control and law enforcement.

"The HKSAR Government hopes that the US Government would adopt a pragmatic attitude, and would, with the interest of the mutually beneficial relations between Hong Kong and the US as well as the US' own interests in Hong Kong in mind, maintain her economic and trade policy and principled positions towards Hong Kong as well as continue to respect Hong Kong's status as a separate customs territory."

The spokesman reiterated that foreign governments and legislatures should not interfere in any form in the internal affairs of the HKSAR.

Ends/Thursday, November 28, 2019
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