

Special FC Meeting on 14 April 2021
Speaking Notes for
Secretary for Commerce and Economic Development

Foreword

- ✧ Chairman, I will briefly introduce our key tasks under the commerce, industry and tourism areas in the current financial year.

- ✧ The Outline of the 14th Five-Year Plan (the Outline) supports the future development of Hong Kong in various important areas. On the economic and trade aspects, the Outline supports Hong Kong to enhance its status as a trading centre, to promote service industries for high-end and high value-added development, and to develop a regional intellectual property trading centre. It also supports Hong Kong to foster exchanges and cooperation with different countries and regions and to leverage its unique advantages.

- ✧ The Commerce and Economic Development Bureau will actively take forward enhancement measures to improve Hong Kong's competitiveness. Particularly, we will continue to make good use of the advantages under the "One Country, Two Systems", seizing the business opportunities brought by the two engines of the national economic development, i.e. the Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), and continue to promote

Hong Kong's edges to contribute to our country's needs. Specifically, we would continue to establish closer economic and trade relations with different economies; to conclude free trade agreements and investment agreements; to strengthen our efforts in promoting Hong Kong's competitive edges and professional services in the GBA cities and overseas markets, etc.

- ✧ Enjoying the advantages of “One Country, Two Systems”, Hong Kong can further strengthen its “intermediary” role in the international circulation under our country's dual circulation development strategy. On the other hand, we can focus on the enormous business opportunities in the Mainland market under our country's domestic circulation. Taking the GBA as an entry point, we can support Hong Kong enterprises to explore the domestic market in the Mainland and become a participant in domestic circulation. Playing this dual role well will bring continuous impetus to Hong Kong's economy and promote the long-term development of Hong Kong.
- ✧ We have introduced targeted measures covering our work under the commerce, industry and tourism areas in the current financial year. The main ones include:

Tourism

- The tourism industry bears the brunt of the negative impact arising from the social incidents and the epidemic of COVID-19 since the second half of 2019. Entering 2021, Hong Kong's tourism industry continued to be hard hit by the COVID-19 epidemic. In the first two months of 2021, overall visitor arrivals plunged by 99.7% year-on-year to only about 10 000. The Tourism Commission has been maintaining close communication with the tourism industry, and responded together with the industry to the challenges brought by the epidemic. The Government has, through four rounds of the Anti-epidemic Fund, provided financial support to the tourism industry. Coupled with the other helping measures including the Travel Agents Incentive Scheme and the Green Lifestyle Local Tour Incentive Scheme rolled out earlier, the cumulative commitment of the Government support amounts to close to \$2.6 billion in total.
- Guided by the principle of keeping health risks at bay and leveraging our much enhanced testing capacity and tracing ability, the Government is considering introducing more stringent testing and tracing requirements while encouraging vaccination in the travel sector. All these aim to allow more room for the tourism industry to operate upon the stabilisation of the epidemic.

- In 2021-22, the Government will earmark a total of \$934 million to enhance tourism resources, of which \$169 million will be allocated to the Tourism Commission to continue to take forward local cultural, heritage and creative tourism projects and to improve the facilities along hiking trails to develop more green tourism resources, thereby offering leisure and travel experience with rich historical and cultural elements to both locals and visitors.
- Also, the Government will allocate \$765 million in 2021-22 to support the Hong Kong Tourism Board (HKTB) in reviving the tourism industry. HKTB has formulated short and medium-to-long term strategies having regard to the market situations of Hong Kong and various source markets. In addition to boosting local ambience before resumption of cross-boundary or border travel, HKTB will continue to maintain Hong Kong's international exposure. In the long run, HKTB will reinvent Hong Kong's tourism image to capture high-yield visitor segments.

Small and Medium Enterprise (SME) Support Measures

- The current-term Government has injected \$3.5 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales. We propose a further injection of \$1.5 billion, thereby increasing the funding ceiling per enterprise from \$4 million

to \$6 million; and extending the geographical coverage from currently 20 economies to 37 economies with which Hong Kong has signed Free Trade Agreements and / or Investment Promotion and Protection Agreements.

- The current-term Government has injected \$2 billion into the SME Export Marketing Fund (EMF). We propose enhancing the EMF, from covering exhibitions specifically aiming at markets outside Hong Kong to also including those targeting the local market and virtual exhibitions, and relaxing the eligibility criteria to cover non-SMEs, for a period of two years.
- Within the current-term Government, a total funding of around \$2.17 billion has been approved under the two Funds. We believe the above-mentioned enhancements can provide SMEs with abundant resources to conduct market promotion and develop markets outside Hong Kong, which in turn will accelerate the recovery of Hong Kong's economy.
- In addition, to assist enterprises affected by the epidemic, we launched the Special 100% Guarantee Product under the SME Financing Guarantee Scheme last year to provide low-interest loans to SMEs. This product has been well-received by businesses. As at end March 2021, about \$48 billion of loans were approved.

- As the epidemic has been lingering on, we have enhanced the Special 100% Guarantee Product, including extending the application period by about eight months to end December 2021; further increasing the maximum loan amount per enterprise from the total amount of employee wages and rents for 12 months to that for 18 months; with the ceiling increasing from \$5 million to \$6 million. In addition, having considered the repayment pressure faced by SMEs, the maximum repayment period would be extended from five years to eight years; while the maximum duration of principal moratorium would be extended from 12 months to 18 months, thereby relieving the burden on SMEs. The enhancement measures came into effect in end March.

Subvention for the Hong Kong Trade Development Council (TDC)

- To further assist Hong Kong companies to operate in the business environment which is affected by the COVID-19 outbreak, the Government will provide an additional subvention of a total of \$375 million to TDC from 2021-22 to 2023-24, including \$301 million in three years to subsidise TDC to develop virtual platforms to enhance its capability to organise online events and to proceed with digitalisation; and \$74 million in 2021-22 to subsidise TDC to promote Hong Kong's strengths in the development of the GBA and promote Hong Kong's healthcare products and services. Taking into

account the additional subvention, the Government will provide a total subvention of about \$634.1 million to TDC in 2021-22 which represents a 1.6% increase as compared with last year. The Government will continue to work closely with TDC to help SMEs find new business prospects, innovate and transform.

Regional Comprehensive Economic Partnership (RCEP)

- Hong Kong strives to further regional economic cooperation, and has been actively pursuing the expansion of the network of Free Trade Agreements. The successful signing and implementation of RCEP is an important milestone for regional economic integration and will facilitate free and open trade and increase investment in the region, providing impetus for regional cooperation and driving force for post-pandemic economic recovery. We are actively engaging individual RCEP participating economies for commencement of discussions on Hong Kong's accession in order to enable Hong Kong to join RCEP as soon as possible after its entry into force, thereby further enhancing Hong Kong's trade and economic connections with the trading partners in the region.

Expansion of overseas Hong Kong Economic and Trade Offices (ETO) Network

- To strengthen Hong Kong's economic and trade relations with other places, the HKSAR Government has been actively

expanding the network of ETO to enhance external promotion and exchanges. We have successfully concluded our discussions with the United Arab Emirates government on the establishment of the Dubai ETO, and we are now actively pursuing the preparatory work in setting up the ETO, which is expected to start discharging its duties before the end of this year. The Dubai ETO is our first ETO in the Middle East region, which will seek new business opportunities for Hong Kong in the region.

Taking forward the Belt and Road Initiative

- During the period of the 14th Five-Year Plan, our country will work faster to create a new pattern of development that focuses on domestic circulation and features positive interplay between domestic circulation and international circulation. This will present tremendous opportunities for Hong Kong. In 2021-22, we will continue to leverage Hong Kong's unique position as a gateway, a springboard and an intermediary to capture the opportunities brought about by the Belt and Road Initiative for Hong Kong's enterprises and professional services sector. We will act as an important platform under the country's dual circulation strategy, thereby promoting and contributing to high-quality Belt and Road development. The HKSAR Government will make continuous efforts to create exchange and business matching opportunities for the trade, including launching the Mainland Enterprises

Partnership Exchange and Interface Programme; promoting matching of interested Hong Kong enterprises with selected Economic and Trade Co-operation Zones in the Association of Southeast Asian Nations on a pilot basis; co-organising with TDC the annual Belt and Road Summit within this year; and organising business and professional overseas missions when the epidemic stabilises, etc.

Conclusion

- ✧ The above are my main points. Chairman, my colleagues and I will be pleased to answer questions from Members.