

For discussion
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**Legislative Council Panel on Commerce and Industry
Subcommittee on Issues Relating to the Stimulation
of Hong Kong's Economy**

**Riding on the Development Opportunities in the Guangdong-Hong
Kong-Macao Greater Bay Area to Actively Take Part in the
“Domestic Circulation” to Promote the Local Economy**

PURPOSE

This paper briefs the Subcommittee on Issues Relating to the Stimulation of Hong Kong's Economy of the Legislative Council Panel on Commerce and Industry on measures taken by the Government to ride on the development opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) to actively take part in the “domestic circulation” to promote the local economy.

BACKGROUND

2. The GBA development is a key national development strategy of the further reform and opening up of our country. Through deepening cooperation amongst Guangdong, Hong Kong and Macao, the goal is to promote coordinated economic development in the region. With a population exceeding 72 million and a gross domestic product (GDP) of approximately US\$1.7 trillion in 2019, the GBA is one of the most open and economically vibrant regions in China, providing enormous opportunities and huge development potential. Thanks to the rigorous anti-epidemic efforts, there has been a quick rebound in the economy of our country. With a GDP growth of 2.3%, it was the only major economy to have recorded economic growth in 2020. Given the advantages Hong Kong enjoys under “One Country, Two Systems”, we can continue to capitalise on our strengths to serve the country’s needs with proactive participation in the domestic and international dual circulation. One area to focus on is the business opportunities of the Mainland market, which will help Hong Kong better integrate into the overall development of our country, and take the development of the GBA as an entry point to proactively become a “participant” in “domestic circulation” and a

“facilitator” in “international circulation”. This not just will provide new impetus for Hong Kong’s economic development, but also serve as an important support for economic recovery for Hong Kong after the Coronavirus Disease 2019 (COVID-19) pandemic.

3. The Government will, through the implementation of different policy measures, encourage different sectors of the community to actively participate in the GBA development and the “domestic and international dual circulation”. On financial services, the Government will continue to develop Hong Kong into a broader and deeper fundraising platform. At the same time, we will strengthen mutual market access with the Mainland, expedite the implementation of the two-way cross-boundary wealth management connect pilot scheme (Wealth Management Connect) and strive for the early establishment of after-sales service centres by the Hong Kong insurance industry in the Mainland cities of the GBA. On innovation and technology (I&T), with the full support of the Central Government, we will continue to actively participate in the development of the GBA into an international I&T Hub. We will explore measures to facilitate the cross-boundary flow of innovation elements, such as talent, capital, information and technologies, strengthen international I&T cooperation, develop high quality technological infrastructure and innovation platforms, including the development of the Hong Kong-Shenzhen I&T Park (HSITP) in the Lok Ma Chau Loop (Loop) in full swing. The Government also seeks to support Hong Kong enterprises in gaining access to the Mainland domestic markets, e.g. helping them better leverage e-commerce platforms in the Mainland for promotion through both online and offline modes. In addition, to encourage and support young people in Hong Kong to work and develop their career in the Mainland cities of the GBA, the Government has launched the GBA Youth Employment Scheme under which enterprises with businesses in both Hong Kong and the Mainland cities of the GBA are encouraged to employ university graduates from Hong Kong and station them to work in the Mainland cities of the GBA. There are 2 000 places under the scheme. We will provide an update on the progress of the aforementioned measures in the ensuing paragraphs.

PROMOTING MUTUAL ACCESS OF FINANCIAL SERVICES IN THE GBA

4. Being the international financial centre of our country, Hong Kong is well positioned to benefit from the opportunities arising from the vast Mainland markets while contributing to the reform and opening up of

the financial market of the country. We will continue to dedicate our efforts in enhancing Hong Kong's position as an international financial centre, leverage Hong Kong's connectivity with the Mainland and international markets, capitalise on the national support towards the GBA in financial liberalisation and innovation, and play the effective roles of being the gateway to, the intermediate hub and the prime platform to participate in the Mainland market. The "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" (the Outline Development Plan) also confirms and supports Hong Kong's status as an international financial centre, a global offshore Renminbi (RMB) business hub, an international asset and risk management centre, as well as the development of Hong Kong into a green finance centre and a platform for investment and financing serving the Belt and Road initiative.

5. In May 2020, the Central Government promulgated the "Opinion on Providing Financial Support for the Development of the GBA" which supports Hong Kong's integration into the overall national development of financial reforms. The Government and relevant financial regulators have been maintaining close communication with the Mainland authorities to implement various measures at the levels of individual, corporate, financial and professional services and financial infrastructure for facilitating the movements of factors of production and opening up a broader market for the financial sector.

6. Among others, the People's Bank of China, the Hong Kong Monetary Authority (HKMA) and the Monetary Authority of Macao jointly announced in June 2020 the decision to implement Wealth Management Connect to allow residents in Hong Kong, Macao and nine Mainland cities of the GBA to carry out cross-boundary investment in wealth management products distributed by banks in the area to address the wealth management needs of the residents. Not only will Wealth Management Connect bring enormous business opportunities to the entire financial industry value chain and other professional services in Hong Kong, it will also promote the cross-boundary flow and use of RMB, reinforcing further Hong Kong's position as the global offshore RMB business hub and the international asset management centre. It is planned that for northbound and southbound, there will be an aggregate quota of RMB 150 billion in each direction and an individual investor quota of RMB 1 million. Recently, the regulators of the three places have signed a Memorandum of Understanding on the principles of supervisory cooperation under Wealth Management Connect, establishing sound supervisory cooperation arrangements and liaison mechanism. The HKMA will continue to work with the relevant authorities to step up the

preparation for Wealth Management Connect with a view to expediting the implementation of the scheme.

7. Following the new development pattern of domestic and international dual circulation, the capital markets of the Mainland will continue to open up and the “Connector” role of Hong Kong adopting international standards in market regulation and operation will be increasingly significant. The mutual capital market access programmes launched in recent years including Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and Bond Connect not only facilitate the two-way opening-up of the Mainland financial market, promote the inclusion of Mainland A-shares and onshore bonds in various international indexes, but also strengthen Hong Kong’s role as an international financial centre. The mutual capital market access programmes have been expanded in a progressive and gradual manner. With the support from the Central Government, we have included pre-revenue / pre-profit biotechnology companies listed in Hong Kong meeting certain prescribed criteria in the scope of eligible securities under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect with effect from end-December 2020. The initiative can deepen the liquidity of the biotechnology companies listed in Hong Kong and further enhance Hong Kong’s competitiveness as a premier listing platform. Furthermore, eligible companies as listed on the Shanghai Stock Exchange’s STAR Market have been included in the scope of eligible securities under Shanghai-Hong Kong Stock Connect with effect from 1 February 2021, further strengthening the collaboration between the financial markets in Hong Kong and the Mainland.

8. For the insurance sector, we are actively discussing with relevant Mainland authorities on the implementation details to strive for early establishment of after-sales service centres by the Hong Kong insurance industry in the Mainland cities of the GBA, with a view to providing Hong Kong, Macao and Mainland residents who are holders of Hong Kong policies with comprehensive support in different areas including enquiries, claims and renewal of policies. We are also striving for the early implementation of the “unilateral recognition” policy for Hong Kong motor vehicles entering Guangdong through the Hong Kong-Zhuhai-Macao Bridge control point. This will extend the coverage of third-party insurance policies issued by Hong Kong insurers for these cross-boundary motor vehicles to cover third-party liability in the Mainland, thereby deeming such policies as equivalent to the mandatory traffic accident liability insurance in the Mainland.

INNOVATION AND TECHNOLOGY

Development of the GBA International I&T Hub

9. The Outline Development Plan has set out the target of developing the GBA into an international I&T hub, which includes supporting relevant institutes in Guangdong, Hong Kong and Macao to proactively participate in national technological programmes, and allowing cross-boundary remittance of research and development (R&D) funding from the Mainland to Hong Kong. To this end, remarkable progress has been made in cross-boundary remittance of R&D funding directly from the Mainland to Hong Kong. So far, the Ministry of Science and Technology (MOST), the National Natural Science Foundation of China, the Department of Science and Technology of Guangdong Province, the Science and Technology Bureau of Guangzhou Municipality and the Science, Technology and Innovation Commission of Shenzhen Municipality have approved over RMB 340 million to local universities and R&D institutions to conduct around 140 R&D projects, participate in the establishment of 19 Guangdong-Hong Kong-Macao Joint Laboratories, and set up a Hong Kong Branch of a laboratory. Furthermore, MOST agreed in September 2020 to expand the coverage of local R&D institutions eligible for lodging applications for the “National Key R&D Programme” from 10 institutions to 19. Besides, the Innovation and Technology Commission (ITC) and the MOST launched the Mainland-Hong Kong Joint Funding Scheme in 2019 to encourage collaborative R&D projects between Hong Kong and different provinces in Mainland. The first batch of applications mutually supported by MOST and ITC have gradually entered the approval stage.

10. Moreover, the Central Government announced in November 2019 the policy measure in relaxing the limitation on exporting Mainland human genetic resources to Hong Kong. So far, three Mainland branches established by Hong Kong’s universities have been confirmed by MOST to be meeting the specified requirements and will be allowed to lodge applications for exporting human genetic resources to Hong Kong independently under a pilot scheme for research purpose. The Government will continue to work with MOST in taking forward the implementation of the measure.

HSITP in the Loop

11. The Government is taking forward the development of the

HSITP in the Loop in full swing, with a view to establishing a key base for co-operation in scientific research through connecting with top-tier enterprises, R&D institutions and higher education institutions all over the world. Upon its full development, the HSITP will provide a gross floor area of 1.2 million square meters, which will be about three times of that of the current Hong Kong Science Park, and become the largest I&T platform in Hong Kong. On 8 January 2021, the Finance Committee (FC) of the Legislative Council approved funding for the two public works programmes for site formation and infrastructural facilities, and the fire station and ambulance depot with departmental accommodations in the Loop. On 5 February 2021, FC also approved funding for commencing the HSITP's Batch 1 development and for the initial operating cost of the Hong Kong-Shenzhen I&T Park Limited. It is expected that the Batch 1 development will be completed in phases from 2024 to 2027.

*Shenzhen-Hong Kong Innovation and Technology Co-operation Zone –
“One Zone, Two Parks”*

12. The Chief Executive announced in the 2020 Policy Address that the Hong Kong and Shenzhen governments are jointly developing the Shenzhen-Hong Kong Innovation and Technology Co-operation Zone (the Co-operation Zone) which comprises the Shenzhen Innovation and Technology Zone (SZ I&T Zone) and the HSITP, with a view to establishing “one zone, two parks”. Adjacent to the SZ I&T Zone, the geographical location of the HSITP enjoys strategic advantages. This will facilitate combining Hong Kong's solid R&D strengths and Shenzhen's strong capability in advanced manufacturing to create a value-adding chain that covers the upstream, midstream and downstream processes and leverage the complementary advantages of both sides.

13. The governments on both sides have agreed that before the completion of the first batch of buildings in the HSITP, the Hong Kong Science and Technology Parks Corporation (HKSTPC) will lease and manage certain areas of the SZ I&T Zone, so that the institutes and enterprises that are interested in starting their business in the GBA can first establish a presence in the SZ I&T Zone. Also, to attract more talent and enterprises to develop in the Co-operation Zone, the governments on both sides will, through the established mechanism, continue to study the formulation of joint policy for the HSITP and SZ I&T Zone and explore to provide facilitation and supportive measures in the aspects of R&D resources, capital and people flow. Both sides will also join hands in promoting the advantages in I&T with a view to attracting talent and enterprises from the Mainland and overseas.

Supporting the development of technology start-ups in the GBA

14. Through their incubation programmes, the HKSTPC and Cyberport have been providing a range of support measures to technology start-ups, including measures to explore the Mainland and overseas markets. The HKSTPC launched the Science and Technology Entrepreneur Programme in 2019 to help young technology entrepreneurs in the inception stage of their business to realise innovative ideas, e.g. assisting them in the formulation of marketing plan for promotion overseas and in the GBA. Besides, the HKSTPC organised the first GBA Innovation Solution Day in October last year, which has enabled industry stakeholders to explore the possibilities brought about by technology innovation, such as those in smart property management, and has provided opportunities for GBA technology enterprises to present their I&T solutions to Hong Kong property developers. The Cyberport Creative Micro Fund (Cross-Boundary Programme) enables people who aspire to become entrepreneurs and young digital technology talents from Hong Kong, Macau and Guangdong to jointly develop digital technology innovations, thereby providing a pathway for young people to pursue a career in the I&T sector. Both HKSTPC and Cyberport will continue to help start-ups and young technology entrepreneurs to explore Mainland market, especially those Mainland cities of the GBA.

SUPPORTING HONG KONG ENTERPRISES TO PROMOTE DOMESTIC SALES

15. In recent years, many Hong Kong enterprises in the export trade have encountered operational difficulties due to the sluggish US and European markets. As the Mainland market's demand is expected to continue to rise, the Government seeks to support Hong Kong enterprises in promoting domestic sales, in order to leverage the enormous business opportunities presented. During the China Processing Trade Products' Fair held in Dongguan in December 2020, the Commerce and Economic Development Bureau collaborated with the Ministry of Commerce, the Guangdong Department of Commerce, and the Hong Kong Trade Development Council (HKTDC) in organising a seminar to brief Hong Kong enterprises intending to promote domestic sales on the Mainland's economic and trade policies and facilitation measures. Business matching activities have also been arranged. The seminar attracted about 1 200 participants through both online and offline modes. In addition, HKTDC will launch a one-stop "GoGBA" platform in collaboration with

the Guangdong Province and related chambers of commerce, and set up in Shenzhen its first SME Centre outside Hong Kong, to provide multi-faceted support for Hong Kong enterprises, including providing market information on the GBA and related government policies, enquiry service and training, as well as business promotion, development and matching services. HKTDC also plans to hold several major promotional activities in the GBA, including “Guangdong-Hong Kong Cooperation Week” in Guangzhou and promotional activities in Shenzhen, to promote Hong Kong designs and products, and facilitate the matching of Guangdong and Hong Kong enterprises. Tapping their business and successful experiences in the GBA as the springboard, Hong Kong enterprises may further expand their businesses into other parts of the Mainland market.

GBA YOUTH EMPLOYMENT SCHEME

16. To encourage Hong Kong young people to seize the opportunities for career development in the GBA, the Government launched the GBA Youth Employment Scheme on 8 January 2021 to encourage enterprises with businesses in both Hong Kong and the Mainland cities of the GBA to employ university graduates from Hong Kong and station them to work in the Mainland cities of the GBA. The scheme provides 2 000 places, around 700 of which are designated for I&T posts. The target graduates are those who are obtaining their bachelor’s degrees or above from 2019 to 2021. Participating enterprises are required to employ the graduates according to Hong Kong laws and offer them a monthly salary of not less than HK\$18,000. To encourage enterprises to participate in the scheme and compensate them for the extra expenses in training up the graduates, the Government will pay the enterprises a monthly allowance of HK\$10,000 for each graduate employed for up to 18 months.

17. The scheme has received active support from many employer associations and enterprises upon its launch. As of 8 February, about 200 companies have registered with the secretariat of the scheme their interest in participating in the program. At the same time, the secretariat has received 1 130 job vacancies (including 606 general and 524 I&T positions). After vetting, the relevant vacancies have been uploaded to the scheme’s dedicated website progressively starting from 21 January for eligible young people to apply.

18. Relevant Government bureaux and departments will closely liaise with relevant ministries of the Central Government, the Guangdong

Provincial Government and Municipal Governments of the nine Mainland cities of the GBA to follow up the implementation of various policy measures to promote GBA development and local economy, so as to support Hong Kong people (especially young people) and businesses to better grasp the great opportunities brought about by the GBA development.

ADVICE SOUGHT

19. Members are invited to note the content of this paper.

**Financial Services and the Treasury Bureau
Innovation and Technology Bureau
Commerce and Economic Development Bureau
Labour and Welfare Bureau
Constitutional and Mainland Affairs Bureau
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