

For information  
on 26 March 2021

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

**Policy initiatives to facilitate Hong Kong's participation in  
"international circulation"**

**PURPOSE**

This paper seeks to brief the Subcommittee on, under the backdrop of “international circulation” development, the Government’s efforts in enhancing external economic and trade relations, promoting inward investment and Hong Kong’s brands, as well as furthering the Belt and Road Initiative (B&RI).

**OVERVIEW**

2. The 13th National People’s Congress at its Fourth Session adopted the Outline of the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives through the Year 2035 (“the 14th Five-Year Plan”) on 11 March, which is the blueprint and action agenda for the social and economic development of the country in the next five years. Contents relating to Hong Kong can be found in Chapter 61 of the 14th Five-Year Plan on maintaining Hong Kong’s long-term prosperity and stability, and Chapter 31 on proactively and progressively taking forward the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). The Plan supports Hong Kong’s development in various key areas, demonstrating the Central Government’s unwavering support for Hong Kong.

3. On economic development, the 14th Five-Year Plan continues to support Hong Kong to enhance its status as an international financial, transportation and trade centre; strengthen its status as a global offshore renminbi business hub, an international asset management centre and a risk

management centre; establish itself as a centre for international legal and dispute resolution services in the Asia-Pacific region; and promote service industries for high-end and high value-added development. The Plan also raises the support for Hong Kong to enhance its status as an international aviation hub, to develop into an international innovation and technology hub and a regional intellectual property trading centre, and to develop into a hub for arts and cultural exchanges between China and the rest of the world.

4. The Basic Law confers to Hong Kong the status as a separate customs territory, and 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, and develop mutually beneficial economic and trade relations with economies around the world. The 14th Five-Year Plan supports Hong Kong in continuing to foster co-operation and exchanges with countries and regions around the world and fully utilising its unique status and advantages.

5. The Commerce and Economic Development Bureau (CEDB) will actively press ahead with measures to bolster Hong Kong’s competitiveness in relevant sectors, especially in continuing to make the best use of the advantages under the “one country, two systems” principle to tap into the business opportunities brought about by the twin engines of the country’s economic development in the B&RI and the GBA development. Hong Kong will continue to leverage our advantages and to contribute to meeting the country’s needs, and will act as an important connecting platform under the country’s “dual circulation” strategy, helping Mainland enterprises to enter the international market and overseas investors to develop the business opportunities in the Mainland and Asia. CEDB will continue to establish close economic and trade relations with other economies and forge Free Trade Agreements (FTA) and investment agreements with them, including engaging member economies of the Regional Comprehensive Economic Partnership (RCEP) to commence discussions on Hong Kong’s early accession, and expanding the network of the overseas Hong Kong Economic and Trade Offices (ETOs).

## EXTERNAL ECONOMIC AND TRADE RELATIONS

6. The Government is committed to strengthening economic and trade relations with other economies, seeking to forge FTAs and Investment Promotion and Protection Agreements (IPPAs) with more trading partners to build up Hong Kong's global economic network. Hong Kong has, up to now, signed eight FTAs with 20 economies<sup>1</sup>, and 22 IPPAs with 31 overseas economies<sup>2</sup>. At the regional cooperation level, we will continue to actively seek early accession to RCEP. RCEP is the world's largest FTA, covering nearly 30% of the world's population and 30% of global GDP. In 2020, the total merchandise trade between Hong Kong and the 15 RCEP participating economies<sup>3</sup> amounted to US\$772 billion, accounting for about 70% of Hong Kong's total merchandise trade. The successful conclusion and implementation of RCEP is a key milestone in regional economic integration, which would add impetus to regional trade liberalisation and increase investment, further facilitating and deepening regional trade and economic cooperation, helping businesses to develop the business opportunity as economies recover from the epidemic, providing important driving force for post-pandemic global economic recovery.

7. The Government has been actively expanding its network of overseas ETOs to strengthen trade and economic connections with our trading partners<sup>4</sup>. We have concluded our discussions with the United Arab Emirates (UAE) government on the establishment of the Dubai ETO, and are actively pursuing the preparatory work to set up the office. The Dubai ETO is the second ETO, after the Bangkok ETO, established by the current-term Government, and the first in the Middle East region, which will further our trade and economic ties and develop business opportunities

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<sup>1</sup> The respective economies are Mainland China, the Macao Special Administrative Region, the ten member states of the Association of the Southeast Asian Nations (ASEAN), Australia, Chile, the Member States of the European Free Trade Association (i.e. Iceland, Liechtenstein, Norway and Switzerland), Georgia and New Zealand.

<sup>2</sup> The respective economies are the ten member states of ASEAN, Australia, Austria, Belgo-Luxembourg Economic Union, Canada, Chile, Denmark, Finland, France, Germany, Italy, Japan, Korea, Kuwait, Mexico, the Netherlands, New Zealand, Sweden, Switzerland, Thailand (ASEAN Member State), UAE and the United Kingdom.

<sup>3</sup> RCEP participating economies are Mainland China, the ten member states of ASEAN, Australia, Japan, Korea and New Zealand.

<sup>4</sup> The 13 ETOs are situated in Bangkok, Berlin, Brussels, Geneva, Jakarta, London, New York, San Francisco, Singapore, Sydney, Tokyo, Toronto and Washington DC.

with our trading partners in the region<sup>5</sup>.

8. Through the ETO network, the Government fosters close relations and liaison with overseas government and business sectors at the government level, keeping them abreast of Hong Kong's unique advantages under the "one country, two systems" principle, promoting Hong Kong's status as an international financial and trading hub, encouraging foreign investors and enterprises to make use of Hong Kong as a platform for entering the Mainland market. Before the outbreak of the pandemic, ETOs hosted and participated in major conferences, seminars and outreach activities and organised senior officials' visits as well as collaborated with other Hong Kong overseas agencies, such as the Hong Kong Trade Development Council (HKTDC) and Hong Kong Tourism Board to host and co-host various promotion activities. Through these activities, ETOs proactively updated the political sector and business communities on Hong Kong's latest developments and competitive edge on various fronts, encouraging them to conduct business and invest in Hong Kong.

9. Since the outbreak of the pandemic, the Government continued to strive to provide the latest information about Hong Kong and promote Hong Kong's developments on various fronts through the ETO network. Webinars were organised for direct exchanges with overseas interlocutors. To prepare for post-pandemic economic recovery, we are making preparations to roll out key promotion activities when the pandemic situation stabilises. Our overseas ETOs, the Information Services Department, Invest Hong Kong (InvestHK), HKTDC, etc will work with relevant organisations, business chambers and professional bodies, to strengthen the overseas promotion work in line with the Government's overall promotion strategy, and actively promote Hong Kong's unique status under the "one country, two systems" principle, Hong Kong's own competitive advantages on various fronts, as well as the enormous business opportunities brought about by the B&RI and the GBA development.

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<sup>5</sup> The Dubai ETO will be responsible for the bilateral trade and economic relations with the Cooperation Council for the Arab States of the Gulf, i.e. Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE.

## PROMOTING INWARD INVESTMENT

10. With ample experience in doing business with both the Mainland and overseas regions, coupled with our strategic location and status as a cosmopolitan city, Hong Kong serves as a unique two-way platform for Mainland enterprises to invest abroad; and for overseas companies to invest in the Mainland, playing an active role in our country's "international circulation" development strategy. InvestHK aims to strengthen Hong Kong's status as a leading international business location in Asia, by supporting overseas and Mainland companies across sectors to set up and grow in and via Hong Kong.

11. The latest survey<sup>6</sup> shows that there were 9 025 overseas and Mainland companies in Hong Kong in 2020, up 9.7% over 2017. Among them, the number of regional headquarters increased by 6.4% to 1 504. The major sources of these companies are the Mainland, Japan, the United States, the United Kingdom and Singapore. The number of Mainland companies has significantly increased by 57% to 1 986 from 1 264 in 2017, demonstrating that Hong Kong is a preferred destination for Mainland companies to expand their businesses.

12. InvestHK's global investment promotion work raises the profile of Hong Kong as a leading economy and dynamic destination for businesses to capture opportunities in GBA, the Mainland as well as Belt and Road markets and beyond. To assist Mainland companies in exploring overseas markets, InvestHK has been organising various promotion activities, such as seminars, promotional events and business missions, to encourage Mainland enterprises to make good use of Hong Kong and our professional services as a springboard to internationalise their businesses and invest overseas.

13. Bringing in high-quality investment into Hong Kong enriches our economic mix and creates jobs. InvestHK completed 317 investment projects in 2020, creating close to 8 000 jobs. Foreign investment also makes other positive impact on our economy, such as bringing in innovative products and services, in addition to talents and new management practices and operating processes, thereby enhancing the

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<sup>6</sup> Annual Survey of Companies in Hong Kong with Parent Companies Located Outside Hong Kong, jointly conducted by InvestHK and the Census and Statistics Department, 2020

dynamism of the local economy.

14. In view of the impact of the pandemic on global economy, InvestHK has been dynamically adjusting its investment promotion strategies in response to the latest development. It has enhanced aftercare services for existing investors on the one hand, and has leveraged digital platform to reach out to potential investors on the other. InvestHK will continue to adopt proactive strategies to strengthen its investment promotion work.

### **Promoting Hong Kong's brands**

15. The Government has been actively encouraging Hong Kong enterprises to develop overseas markets, and providing financial support through the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) and the SME Export Marketing Fund (EMF) to assist enterprises in developing brands (e.g. registering brands and trademarks, designing brand images, placing advertisements, engaging spokespersons, etc.) and conducting export promotion activities (e.g. participating in physical and virtual exhibitions, placing advertisements and optimising keyword search on electronic platforms/media, etc).

16. To support enterprises in exploring more diversified markets, the Financial Secretary announced in the 2021-22 Budget a proposal to further inject \$1.5 billion into the BUD Fund, thereby:

- (a) increasing the cumulative funding ceiling per enterprise from \$4 million to \$6 million; and
- (b) extending its geographical coverage from all economies with which Hong Kong has signed FTAs to also include all economies with which Hong Kong has signed IPPAs.

17. After the extension, the BUD Fund's geographical coverage will expand from the 20 FTA economies (See footnote 1 above) to the 37 economies with which Hong Kong has signed FTAs and / or IPPAs<sup>7</sup> (details in LC Paper No. CB(1)647/20-21(05)), so as to allow enterprises

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<sup>7</sup> The 17 newly added economies are Austria, Belgo-Luxembourg Economic Union, Canada, Denmark, Finland, France, Germany, Italy, Japan, Korea, Kuwait, Mexico, the Netherlands, Sweden, UAE and the United Kingdom.

to capture the business opportunities brought about by the national “dual circulation” development strategy and develop more overseas markets.

18. On the other hand, enterprises may also utilise the EMF to develop any markets outside Hong Kong. The two funding schemes are well received by the business community. The approved applications under the BUD Fund have encompassed all 20 economies under its geographical coverage, whereas the approved applications under the EMF have encompassed more than 70 markets. Since the launch of the two funding schemes up to end February 2021, there were more than 250 000 approved applications, involving a total funding amount of more than \$5.7 billion, benefiting more than 53 000 enterprises and 360 000 employees.

19. Moreover, the Government has also been providing funding support to non-profit-distributing organisations such as trade and industrial organisations, professional bodies and research institutes through the Trade and Industrial Organisation Support Fund (TSF) to implement projects aiming at enhancing the competitiveness of Hong Kong enterprises in general or in specific sectors. TSF has so far provided funding support for numerous projects to help the trade promote Hong Kong products and services overseas, including setting up “Hong Kong Pavilions” in 21 countries to promote Hong Kong’s brands and strengths, involving industries like footwear, textiles and apparel, electrical equipment, machinery and metal products, etc. Since its launch<sup>8</sup> and up to end February 2021, there were 443 approved applications, involving a total funding amount of more than \$770 million.

## **BELT AND ROAD INITIATIVE**

20. In respect of participation in the B&RI, the Government will support Hong Kong’s businesses and professional services sector in seizing the opportunities as we plan to continue promoting Hong Kong’s business and professional services sector in exploring overseas markets in partnership with Mainland enterprises in future. We will assist state-owned enterprises (SoEs) and Belt and Road-related Mainland enterprises

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<sup>8</sup> TSF was merged from the SME Development Fund (SDF) and the Organisation Support Programme (OSP) under the BUD Fund on 1 October 2018. The statistics include applications under the SDF and the OSP under the BUD Fund.

to establish connections with Hong Kong's major professional bodies, industry associations as well as their member enterprises.

21. Before the pandemic ravages the world, CEDB had indeed organised jointly with the Ministry of Commerce "going global" visits. Since the outbreak, we have been continuing our work and fostering Belt and Road co-operation between the Mainland and Hong Kong through alternative means. For instance, in January this year, we organised a high-level roundtable jointly with the State-owned Assets Supervision and Administration Commission of the State Council online to promote exchanges and co-operation between SoEs and Hong Kong's business and professional services sector. The opportunity had been taken to highlight how to leverage Hong Kong's strengths and bring about complementary advantages, as well as raise competitiveness and the standard of participation under the B&RI for both sides. The Government also jointly organised the annual Belt and Road Summit with HKTDC last year, attracting over 6 000 government officials, entrepreneurs and professionals from about 80 countries and regions. During the Summit, one-on-one business matching sessions were arranged to facilitate Summit participants to explore business opportunities. We are also planning to organise the 6th Belt and Road Summit this year, which will discuss about exploring synergy with the GBA development in pursuing the opportunities of B&RI under the 14th Five-Year Plan and the new national development strategy of "dual circulation" of our country. In addition, the Ministry of Commerce will continue to support the Government in encouraging Hong Kong enterprises to set up businesses in the Mainland's overseas Economic and Trade Co-operation Zones. These measures will reinforce Hong Kong as the prime platform and a key link for the B&RI.

## **CONCLUSION**

22. This year is the first year of the 14th Five-Year Plan. With the "dual circulation" development strategy of our country and with the support of the 14th Five-Year Plan, Hong Kong will make good use of the opportunity and proactively become a "participant" in domestic circulation and a "facilitator" in international circulation amidst the "dual circulation" development strategy of our country with the support of the 14th Five-Year Plan. Hong Kong will take the GBA as the best entry point to better integrate into the overall development of our country, which will bring



continuous impetus to Hong Kong's economy.

**ADVICE SOUGHT**

23. Members are invited to note this paper.

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