

SCED's speaking notes on commerce, industry and tourism areas tabled at LegCo Finance Committee special meeting

Following are the speaking notes on commerce, industry and tourism areas of the Secretary for Commerce and Economic Development, Mr Gregory So, tabled at the Finance Committee special meeting in the Legislative Council today (April 2):

Chairman,

I would like to set out the key matters within the policy areas of commerce, industry and tourism.

Hong Kong-ASEAN (Association of Southeast Asian Nations) FTA (Free Trade Agreement)

Strengthening regional economic co-operation is our priority work this year. Hong Kong will commence formal negotiations for a free trade agreement with ASEAN later this year. The FTA will enable our goods, services and investments to access the markets of ASEAN member states under more favourable conditions, and generate new business opportunities for Hong Kong.

Investment Promotion and Protection Agreement (IPPA)

As for IPPAs, in December 2013, Hong Kong concluded IPPA negotiations with Bahrain and Myanmar separately. After the completion of the necessary internal procedures by the parties concerned, the two IPPAs will be signed. In 2014, Hong Kong will continue IPPA negotiations with Russia and will start IPPA negotiations with Chile.

Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)

As regards CEPA, the HKSAR Government will continue, through CEPA, to strive to further open up the Mainland market for Hong Kong's services sectors by broadening and deepening the scope of liberalisation, so as to implement the target to basically achieve the liberalisation of trade in services of the two places by the end of 2015. At the same time, we will actively co-operate with the Guangdong Provincial Government, striving to basically achieve the goal of liberalisation of trade in services in Guangdong by the end of 2014.

Trade in Services Agreement

In addition, we are actively participating in the negotiation of a trade in services agreement among some World Trade Organization Members with a view to providing Hong Kong services with better access to foreign markets.

Expanding Hong Kong's capacity to receive tourists

Tourism is an important pillar of Hong Kong's economy. The continuous growth in visitor arrivals has indeed brought challenges to Hong Kong. But it has also boosted economic growth and promoted employment at the same time.

The HKSAR Government is well aware of public concerns about whether the continuous growth in visitor arrivals would affect the livelihood of the community. We released the Assessment Report on Hong Kong's Capacity to Receive Tourists at the end of last year. It acknowledges that with the continuous growth in visitor arrivals, Hong Kong should increase the capacity to receive tourists on various fronts. We wish to strike a reasonable balance between maximising the economic benefits tourism brings to Hong Kong and minimising the impact on the community brought about by the increasing number of tourists.

On tourist facilities, the Government has provided part of the \$2.29 billion loan to Ocean Park to facilitate its development of an all-weather waterpark at Tai Shue Wan. Hong Kong Disneyland will also unleash a series of new initiatives in the coming years.

To attract more high value-added visitors, the Government will endeavour to gradually release the six sites within the "hotel belt" of the Kai Tak Runway Precinct to the market starting from the end of next year for development into a distinctive hotel cluster. Meanwhile, the "Kai Tak Fantasy" - International Ideas Competition on Urban Planning and Design is now under way.

In addition, the hotel supply will continue to increase in the coming years. The total number of hotel rooms will increase from 70 000 in 2013 to around 84 000 at end 2017.

The second berth of the Kai Tak Cruise Terminal is due for completion within this year. Retail stores and restaurants at the Terminal are expected to open by phases from mid 2014 onwards.

We will also provide additional funding of \$50 million to the Hong Kong Tourism Board (HKTB) in the coming two years to add new elements to its popular mega events, such as the Hong Kong Wine and Dine Festival, the New Year Countdown Celebrations and the Chinese New Year Night Parade, such as introducing a 3D projection mapping show.

Overnight MICE (meetings, incentive travels, conventions and exhibitions) visitors have high spending power and they are our prime targets. The Government will allocate an additional annual provision of \$15 million to the HKTB from 2014-15 onwards for three years to provide more attractive and targeted supporting services and hospitality offers for organisers and participants of MICE events.

Intellectual property (IP)

On the IP front, the Working Group on IP Trading, which is led by me, endorsed a strategic framework for forging ahead with the development of Hong Kong as an IP trading hub at end-2013. This year, the Working Group is working to explore specific policies and other support measures under each strategic area. Furthermore, the Government is working to implement an "original grant" patent (OGP) system. Subject to the progress of implementation work and legislation in the future, we aim at launching the OGP system in 2016-17 at the earliest.

To keep pace with technological advancement and economic development, we need to update our copyright regime from time to time. Last year, we completed a public consultation on how parody should be taken care of appropriately having full regard to present day circumstances. We reported to the LegCo Panel on Commerce and Industry at its meeting in December 2013 and in March 2014. We are now formulating legislative proposals, and it is our intention to conclude efforts since 2006 to update our copyright regime as soon as possible.

Support for small and medium enterprises (SMEs)

SMEs are the pillar of Hong Kong's economy. We will continue to provide multi-pronged support for SMEs.

First, on loan guarantees, in May 2012, the Hong Kong Mortgage Corporation Limited launched special concessionary measures under its SME Financing Guarantee

Scheme, which offer 80 per cent loan guarantees at concessionary fee rates. The Government provides a total loan guarantee commitment of \$100 billion. Following our one-year extension of the original 9-month application period last year, we have further extended the application period this year for one more year until end of February 2015.

Targeting the Mainland market, we launched in June 2012 the \$1 billion Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) to assist Hong Kong enterprises in developing brands, upgrading and restructuring their business operations and exploring domestic sales in the Mainland. The response of the trade has been enthusiastic. Up to end of February 2014, 192 applications from enterprises and 37 applications from organisations had been approved, with a total funding amount of about \$205 million. Another 13 enterprise applications have been granted conditional approval. More than 94 per cent of enterprise applications approved, or approved with conditions, come from SMEs.

The Hong Kong Trade Development Council has been actively expanding the network of Design Galleries in the Mainland, and has opened new shops in Qingdao and Shanghai and set up a series of "shops-in-shop" in Mainland department stores last year to provide selling platforms for more Hong Kong enterprises, particularly SMEs, in the Mainland.

As regards export credit insurance, the Hong Kong Export Credit Insurance Corporation will continue to implement the Small Business Policy scheme to allow SMEs engaging in export trade with an annual business turnover of less than \$50 million more flexibility in taking out insurance cover.

Manpower development of retail industry

To support the manpower development of the retail industry, the Budget has allocated \$130 million for the implementation of the recommendations of the Task Force on Manpower Development of the Retail Industry, made at the end of last year. The specific measures include:

- (i) assisting the Vocational Training Council in rolling out pilot programmes dedicated to the retail industry to be run by a professional institution with qualifications recognised under the Qualification Framework. This aims to attract Secondary 6 graduates;

(ii) launching a retail productivity enhancement scheme on a matching fund basis, with SMEs as targets on the use of appropriate technologies, partnering with the Hong Kong Productivity Council; and

(iii) joining hands with the retail industry in launching a publicity campaign to enhance the image of the trade.

The Labour Department will also set up a recruitment website and organise job fairs, all dedicated to the retail industry, through the redeployment of existing resources.

We are working out the details with stakeholders, and will consult the Panel on Commerce and Industry and seek approval from the Finance Committee. We plan to implement the various measures one after another within this year.

Investment promotion

On promotion of inward investment, attracting companies from emerging markets to set up their businesses in Hong Kong will continue to remain our priority. We will also focus on attracting companies in financial services and the creative industries as well as from the information and communications technology sectors. We will continue to promote Hong Kong as an ideal platform for Mainland companies to go global, and further advocate Hong Kong as a global hub for startup companies.

Competition policy

On the Competition Ordinance, the Competition Commission is conducting the preparatory work, and is drafting the regulatory guidelines. In the meantime, the Judiciary is also formulating Tribunal Rules relating to the operation and proceedings of the Competition Tribunal and the President's directions. When all relevant preparatory work in respect of the Commission and the Tribunal is completed, we will bring the Ordinance into full operation.

Chairman, I would be pleased to answer questions from Members.

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