

Special FC Meeting on 7 April 2020
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.
- ✧ Hong Kong's economy is going through a major storm and is facing severe challenges. As I pointed out on various past occasions, our economy has been successively affected by three major adverse blows: first the United States-China trade conflict, second the social unrest arising from the extradition proposal, and third the current COVID-19 outbreak.
- ✧ Hong Kong's economy has entered into a technical recession since the third quarter of 2019. The gross domestic product dropped by 2.8% and 2.9% in the third and fourth quarters respectively, resulting in an annual decrease of 1.2%. For external trade, the value of goods for export decreased by 12% in the first two months of this year. As regards the retail trade, the provisional total retail sales in February represented a decrease of 44% as compared with last year. On tourism, the number of visitor arrivals decreased drastically by 96.4% in February as compared with last year, and further dropped by 98% in the first 25 days in

March with only 3 000 visitor arrivals on average each day. In sum, these three major indicators all reflect an indisputable fact that we are entering economic recession.

- ✧ In response to the severe challenges that our economy is facing, we have introduced targeted measures covering different areas of our work. The main ones include:

Tourism

- As one of the pillar industries, the tourism industry has been a driving force of Hong Kong economy for years. However, while the tourism industry was already hard hit by the local social incidents in the second half of last year, the recent outbreak of the COVID-19 has taken a heavy toll on the industry. The Government has been in close liaison with the Hong Kong Tourism Board (HKTB), the Travel Industry Council of Hong Kong and the trade, and rolled out several rounds of measures to reduce the trade's operation pressure. They include the Travel Agents Incentive Scheme introduced in November last year, the Green Lifestyle Local Tour Incentive Scheme introduced in January this year, as well as the Travel Agents Subsidy Scheme and the Licensed Guesthouses Subsidy Scheme set up under the Anti-epidemic Fund in February 2020. The four schemes are all cash subsidy schemes. The total amount disbursed so far has exceeded \$280 million. Among the subsidy schemes, the government has completed over 99% of the registrations for

the Travel Agents Subsidy Scheme and the Licensed Guesthouses Subsidy Scheme. That is, nearly all travel agents and guesthouses have already received the subsidies.

- The Government has proposed to provide an additional funding of \$791 million in 2020-21 for HKTB to step up promotion and revive the tourism industry when the pandemic is over. The overall provision to HKTB this year is almost 40% (39%) more than that of last year for supporting the trade, launching large-scale tourism promotion worldwide, restoring visitors' interest in travelling to Hong Kong and rebuilding the city's tourism image.

SME Support Measures

- **Dedicated Fund on Branding, Upgrading and Domestic Sales and relevant measures**
 - In the past year, small and medium enterprises (SMEs) faced multi-fold impact on and unprecedented challenges in running their businesses. Last year, in view of the US-China trade conflict, global economic downturn and the social incidents, we already stepped up efforts to enhance various schemes for supporting SMEs.

- Amongst others, we further injected \$2 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales, and extended the geographical coverage to include all economies which have signed Free Trade Agreements with Hong Kong. The funding amount for each enterprise has been doubled from the original level of \$2 million to currently \$4 million. In addition, we further injected \$1 billion into the SME Export Marketing Fund to double the cumulative funding ceiling for each enterprise from \$400,000 to \$800,000.
- Last September, we introduced an arrangement of principal moratorium for up to 12 months under the SME Financing Guarantee Scheme (SFGS) and further launched a new 90% Guarantee Product in December to help SMEs obtain a maximum loan amount of \$6 million for cashflow. We established in January “SME ReachOut” to support SMEs in identifying suitable funding schemes and answering questions relating to applications, with a view to enabling SMEs to make better use of the various funding support measures provided by the Government.
- The Budget announced the introduction of a concessionary low-interest loan with 100% Government guarantee under the SFGS. The maximum loan amount per enterprise is up to the total amount of employee wages and rents for six months, subject to a cap of \$2 million. The maximum repayment

period is three years, with an option of principal moratorium for the first six months. The interest rate is set at the prime rate minus 2.5% and the guarantee fee is waived. I would like to thank the Legislative Council's support in prompt approving a funding commitment of \$20 billion so that we could roll out the new product within April to provide timely assistance to SMEs in need of cash.

Convention and Exhibition Industry Subsidy Scheme

- The convention and exhibition (C&E) industry has almost come to a complete halt with the pandemic. We have reserved \$1.02 billion under the Anti-epidemic Fund to take forward the C&E Industry Subsidy Scheme. Once the pandemic is over, we will subsidise enterprises to participate in exhibitions and major conventions organised by the Hong Kong Trade Development Council (TDC), as well as other organisers to host exhibitions and international conventions at the Hong Kong Convention and Exhibition Centre and the AsiaWorld-Expo, in order to reinvigorate Hong Kong's reputation as an international premier C&E hub. We have started planning to attract major C&E events to Hong Kong in the coming year.

Subvention for the Hong Kong Trade Development Council

- To help SMEs cope with international trade and economic developments more effectively, as well as to rebuild international confidence on Hong Kong as Asia's commercial hub, the Government proposes to provide an additional one-off subvention of \$150 million to TDC. The total subvention for the year will be \$614.2 million, which is the highest in over 50 years since TDC's establishment. TDC will strengthen its work to help Hong Kong companies diversify their businesses and create opportunities. Measures include setting up Hong Kong Pavilions in large-scale exhibitions in major cities such as those in Europe and the Mainland; promoting Hong Kong products by online and offline marketing through the Design Gallery network and setting up pop-up stores; organising various missions; actively inviting companies worldwide to participate in exhibitions in Hong Kong; as well as organising buyer missions to Hong Kong for sourcing, etc. TDC has also devised plan to join the Government to resume economic activities and revitalise the economy after the pandemic has subsided.

✧ Apart from the aforementioned short-term targeted measures, we will continue our efforts on other areas of work, some highlights being:

CEPA and the development of Guangdong-Hong Kong-Macao Greater Bay Area

- Hong Kong and the Mainland signed an agreement last November to amend the CEPA Agreement on Trade in Services (which has been implemented since June 2016) to introduce new liberalisation measures in a number of professional services and sectors that Hong Kong enjoys competitive advantage, such as financial services, legal services, construction and related engineering services, testing and certification, television, motion pictures, tourism services, etc. Liberalisation measures include removing or relaxing restrictions on equity shareholding, capital requirement and business scope in the establishment of enterprises; relaxing qualification requirements for service provision, etc.
- The new liberalisation measures include measures applicable to the whole of Mainland as well as measures for pilot implementation in the Guangdong-Hong Kong-Macao Greater Bay Area, making it easier for Hong Kong service suppliers and professionals to set up enterprises and develop business on the Mainland. The above amendments will be implemented starting from 1 June 2020.

Expansion of ETO Network

- With a view to strengthening Hong Kong's external trade and economic relations, the HKSAR Government has been actively expanding its network of overseas ETOs and strengthening external promotions and exchange to open up new business opportunities for Hong Kong. We are currently focusing efforts in the preparatory work for opening the Dubai ETO, which is expected to commence operation in 2020. The ETO would be the second ETO set up by the current-term Government. The HKSAR Government will continue to explore the feasibility of establishing ETOs in different countries to further strengthen Hong Kong's global trade and economic network.

Taking Forward the Belt and Road Initiative

- In the coming year, we will continue to capitalise on the opportunities brought by the Belt and Road Initiative for our enterprises and the professional services sector. In addition to enhancing policy efforts in co-operation with the relevant Mainland authorities, including in such areas as capacity building, the HKSAR Government will continue to establish various business exchange and matching platforms, including organising overseas business and professional missions; co-organising the annual Belt and Road Summit with TDC; and supporting TDC in promoting project participation by

means of its Belt and Road Portal. Besides, we will assist and encourage interested Hong Kong enterprises to try out to set up businesses in the Mainland's overseas Economic and Trade Co-operation Zones, with a view to better adapting to the changing dynamics of the international trade landscape.

Conclusion

- ✧ As mentioned above, we will make the best use of the current window of temporary suspension of activities due to the COVID-19 outbreak to carry out the planning and preparatory work for short, medium and long term economic and trade activities. This would enable Hong Kong to move forward early once the pandemic subsides, and to carry out more extensive and intensive promotions on our fundamental strengths and advantages. We will also adjust our strategies as appropriate so as to cope with new challenges.

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