



TRADE POLICY REVIEW

REPORT BY

HONG KONG, CHINA

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Hong Kong, China is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Hong Kong, China.

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1 INTRODUCTION

1.1. Hong Kong, China (HKC) is an international centre for trade, finance, transportation and business. HKC offers a business-friendly environment with a fine tradition of the rule of law and judicial independence; a simple tax system with low tax rates, an unfettered flow of capital, people, goods and information; open and fair competition; a well-established and comprehensive financial network; superb transport and communications infrastructure connecting to the rest of the world; sophisticated professional and business support services; and a flexible labour market with a well-educated workforce and a pool of innovative entrepreneurs.

1.2. The Basic Law of the Hong Kong Special Administrative Region (HKSAR) provides that the HKSAR shall maintain the status of a free port, safeguard the free movement of goods and capital, be a separate customs territory, and may, on its own, using the name "Hong Kong, China", maintain and develop relations and conclude and implement agreements with foreign states and regions or international organizations in the appropriate fields, including but not limited to the economic and trade fields, as well as participate in international organizations and conferences not limited to states. This forms the foundation for HKC's separate membership in the World Trade Organization (WTO).

1.3. Since the last Trade Policy Review in 2018, HKC has continued to leverage our unique advantages under "One Country, Two Systems", and injected new impetus to HKC's economy. Through participating in multilateral, plurilateral, regional and bilateral trade agreements, HKC continues to maintain and improve access to foreign markets for its goods and services.

1.4. The COVID-19 pandemic has plagued the entire world. Having made a concerted and successful effort to fight the disease on all fronts, HKC has returned to normalcy, and the vast majority of those support measures under the Anti-epidemic Fund (AEF) has come to an end. The HKSAR Government (the Government) is committed to investing for the future to create strong impetus for growth.

1.1 Vision

1.5. Building on the unique advantages under "One Country, Two Systems", the Government has adopted a more proactive approach to enhance HKC's competitiveness and to drive economic development, integrating a capable government and an efficient market. Having direct access to Mainland China market and strong international connectivity, HKC acts as a bridge linking Mainland China and the rest of the world. The Government is actively pursuing policies to reinforce our strategic position as an international financial, trade, transportation centre as well as promote innovation and technology (I&T) development, international cultural exchange, legal and dispute resolution services, and intellectual property (IP) trading. A clear strategic direction contributing to HKC's high quality development is to enhance the city's I&T ecosystem, enlarge the pool of I&T talents, develop HKC into a smart city, promote digital economy and drive forward green transition and green technology. With a view to propelling HKC's longer-term growth, the Government will endeavour to build capacity for economic development through creating new land expeditiously, increasing infrastructure investment, showcasing our cultural development and creative industries and competing for global enterprises and talents.

2 ECONOMIC ENVIRONMENT

2.1 Overview

2.1. HKC is one of the freest economies in the Fraser Institute's annual report on *Economic Freedom of the World*. HKC was also ranked first for economic openness in *Global Index of Economic Openness 2019* by UK-based Legatum Institute, as well as seventh globally and third in Asia-Pacific for competitiveness in *World Competitiveness Yearbook 2023* by the International Institute for Management Development (IMD).

2.2. HKC is a leading trade and financial centre in the world. In 2022, HKC was ranked tenth in the world in terms of merchandise trade. HKC's merchandise trade to GDP ratio was 336% in 2022. As at the end of the same year, HKC was the world's sixth largest banking centre in terms of external positions, and had the sixth largest stock market in the world by market capitalization. HKC was also the fourth largest foreign exchange centre in terms of turnover according to a triennial survey

conducted by the Bank for International Settlements in 2022. HKC was ranked the fourth and seventh in the world in terms of foreign direct investment inflows and outflows respectively in 2022.

2.3. Led by inbound tourism and private consumption, the HKC economy improved visibly in the first quarter of 2023, and continued to recover in the second quarter, with real GDP growing by 2.9% and 1.5% year-on-year respectively.

2.4. As at July 2023, HKC's long-term credit ratings are "AA+" by S&P, "Aa3" by Moody's, and "AA-" by Fitch.

2.2 Economic outlook

2.5. Inbound tourism and private consumption will continue to be the main drivers of HKC's economic growth in the rest of 2023. As transportation and handling capacity continue to recover, visitor arrivals should increase further. The improving economic situation and prospects should bode well for domestic demand, though tight financial conditions may impose constraints. Improved labour market conditions and the Government's efforts in boosting the momentum of the recovery will provide additional support to private consumption growth. Yet, the difficult global economic environment will continue to weigh on HKC's exports of goods. Taking into account the actual outturn in the first half of 2023 and the factors mentioned above, the real GDP growth for 2023 as a whole is forecast at 4.0%-5.0%.

2.3 Fiscal policy

2.6. In 2022, HKC's economy was plagued by the epidemic. The sharp tightening of monetary policies by central banks across the globe has significantly weakened the external economic momentum with adverse impact on the local economy. As a result, there was a fiscal deficit of HKD 122 billion (USD 16 billion) for the 2022-23 financial year, mainly attributable to reduced revenue amidst economic downturn and increased expenditure for launching of a number of anti-epidemic and counter-cyclical measures to support the public and business operations in light of the epidemic and economic situations in 2022. As at March 2023, the Government's accumulated fiscal reserves was HKD 835 billion (USD 107 billion).

2.7. The 2023-24 Budget took a "moderately liberal" fiscal stance, supporting people in need and sustaining the impetus to economic recovery in moving towards high-quality development. Despite the adversities encountered in the past few years, HKC's public finances have remained robust. It is projected in the medium range forecast for the five-year period ending 2027-28 that, when the epidemic has subsided and the economy is back on track, there will be fiscal surpluses in four consecutive years starting from 2024-25, and accumulated fiscal reserves will gradually rebound to HKD 984 billion (USD 126 billion), representing 25.6% of GDP and approximately 14 months of government expenditure.

2.8. The Government has constitutional responsibility to follow the principle of keeping expenditure within the limits of revenue in drawing up its budget, and striving to achieve a fiscal balance, avoiding deficits and keeping the budget commensurate with the growth rate of its GDP. Taking previous financial position in times of adversity as a reference, it is considered that the fiscal reserves are currently maintained at a prudent level.

2.4 Monetary policy

2.9. The monetary policy objective of HKC is currency stability, defined as a stable external exchange value of the currency of HKC, in terms of its exchange rate in the foreign exchange market against the US dollar, at around HKD 7.80 to USD 1. A credible fixed-exchange rate system helps minimize the exchange rate risk, benefiting externally-oriented businesses. A stable Hong Kong dollar is also an important anchor for financial stability, which underpins HKC's position as an international financial centre.

2.10. The structure of the monetary system is characterized by currency board arrangements, requiring the Hong Kong dollar monetary base to be at least 100% backed by, and changes in it to be 100% matched by corresponding changes in, US dollar reserves held by the Exchange Fund at the fixed-exchange rate of HKD 7.80 to USD 1.

3 TRADE POLICY AND DEVELOPMENTS

3.1 Trade Policy objectives and formulation

3.1. As a small and open economy, HKC's trade policy objectives are to promote a free, open and stable multilateral trading system; to safeguard our rights and fulfil our obligations under multilateral, plurilateral, regional and bilateral trade and trade-related agreements and arrangements; and to secure, maintain and improve access for our exports.

3.2. As a free port, HKC has continued to maintain a free and open trade regime amidst the COVID-19 pandemic. No restrictive measures were imposed on the import and export of goods, including essential medical supplies. Two temporary trade measures were put in place, viz. a restriction on export of face masks produced using government subsidies during the 12-month subsidized period, and a suspension of commercial imports of live rodents and lagomorphs. Both measures have come to an end.

3.2 Participation in the World Trade Organization

3.3. Being a founding Member and a staunch supporter of the WTO, HKC is committed to supporting the multilateral trading system with the WTO at its core. HKC participates in the WTO to pursue two key objectives, i.e. to foster progressive global trade liberalization and to strengthen the rules of the multilateral trading system so as to provide an effective framework for protection against any arbitrary and discriminatory actions by our trading partners. HKC believes that the rules-based system embodied in the WTO and its dispute settlement mechanism can provide the most effective safeguard against trade conflicts and protectionism.

3.4. HKC welcomes the significant outcomes achieved at the Twelfth Ministerial Conference (MC12) held in June 2022, including the adoption of the Agreement on Fisheries Subsidies, and the extension of the current practice of not imposing customs duties on electronic transmissions (the Moratorium). HKC accepted the Agreement on Fisheries Subsidies on 21 August 2023, and is ready to fully implement all provisions therein. HKC will continue to participate constructively in the WTO fisheries subsidies negotiations. HKC supports maintaining the Moratorium as it is an important pillar in maintaining a stable, predictable and conducive e-commerce environment in the past quarter century. HKC will continue to engage constructively in the discussions to reinvigorate the Work Programme on Electronic Commerce as mandated by the MC12 Ministerial Decision. HKC will also continue to participate actively in the discussions with a view to having a fully and well-functioning dispute settlement system by 2024.

3.5. HKC also participates actively in plurilateral discussions conducted under respective Joint Statement Initiatives (JSIs), namely the Services Domestic Regulation (DR), E-commerce, Investment Facilitation for Development (IFD), and Micro, Small and Medium-sized Enterprises (MSMEs) since the Eleventh Ministerial Conference (MC11) held in December 2017. For the JSI on Services DR, HKC welcomes the successful conclusion of the discussions in December 2021 and is one of the first batch of participants to initiate certification procedures in December 2022 to give legal effect to the negotiated outcome. HKC will continue to work with fellow participants with a view to completing the relevant procedures and bringing the benefits of this new set of quality DR disciplines to all WTO Members on a most-favoured-nation basis. For the JSI on E-commerce, HKC is an active participant in the negotiations and will continue to collaborate with other participants to push forward the negotiations with the goal of developing new, high-standard trade rules to reduce barriers to digital trade and create a more facilitating e-commerce environment. For the JSI on IFD, HKC co-sponsored two Joint Statements in November 2019 and December 2021 respectively, reaffirming the shared objective of participating WTO Members to facilitate foreign direct investment. HKC will continue to fully support and participate in the related negotiations.

3.6. HKC considers that initiatives at the multilateral or plurilateral level will complement our existing support measures for MSMEs at domestic level, facilitate our MSMEs to further their businesses and enhance their participation in international trade. HKC participated in the Informal Working Group on MSMEs to explore ways in which WTO Members could better support MSMEs' participation in global trade, and will continue to contribute to the Informal Working Group's discussions of proposals and exploration of possible means to carry out the agreed mandate.

3.7. On trade and environment, apart from participating in the Committee on Trade and Environment, HKC has been taking part in the plurilateral discussions on trade and environmental issues which seek to complement multilateral efforts, and co-sponsored the Ministerial Statements on the Trade and Environmental Sustainability Structured Discussions, and the Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade in December 2021.

3.3 Participation in other regional and international fora

3.3.1 Asia-Pacific economic cooperation

3.8. HKC continues to play an active role in the Asia-Pacific Economic Cooperation (APEC) and contribute to its work including actively participating in the activities under the APEC Committee on Trade and Investment (CTI), in particular to advance towards the realization of the Free Trade Area of the Asia-Pacific (FTAAP) in a comprehensive and systematic manner, as well as to promote sustainable and inclusive trade; undertaking collective commitments to enhancing resilient supply chains and reducing barriers to trade, in particular in support of the movement of COVID-19 vaccines and essential goods, amidst the COVID-19 pandemic; and advocating for opening up and facilitating trade in environmental goods and services.

3.3.2 Organisation for economic co-operation and development

3.9. HKC has been a participant to the Trade Committee and the Committee on Financial Markets of the Organisation for Economic Co-operation and Development (OECD) since 1994 and 1995 respectively. HKC has also been regularly participating in the Trade Session of the annual OECD Ministerial Council Meeting since 2009.

3.4 Bilateral and plurilateral trade initiatives

3.4.1 Free trade agreements

3.10. HKC has been actively seeking to expand its worldwide network of economic and trade connections through, amongst others, forging free trade agreements (FTAs). So far, HKC has signed eight FTAs with 20 economies, viz. Mainland China; New Zealand; the four Member States of the European Free Trade Association (EFTA); Chile; Macao, China; the 10 Member States of the Association of Southeast Asian Nations (ASEAN); Georgia; and Australia. Amongst them, the FTAs with ASEAN, Georgia and Australia as well as two subsidiary agreements both with Mainland China entered into force during the review period. HKC is open towards forging new FTAs with our trading partners. HKC is now negotiating an FTA with Peru and actively seeking to join the Regional Comprehensive Economic Partnership (RCEP). Details of these FTAs are set out in ensuing paragraphs 3.11 to 3.27.

3.4.1.1 Mainland and Hong Kong closer economic partnership arrangement

3.11. Mainland China and HKC signed the "Mainland and Hong Kong Closer Economic Partnership Arrangement" (CEPA) on 29 June 2003. CEPA is the first FTA concluded by HKC, which entered into force on 1 January 2004. It adopts a building block approach to expand its scope and content for achieving progressive liberalization and facilitation of trade and investment. CEPA covers four broad areas, namely:

- (a) trade in goods – all products of HKC origin (as per the CEPA rules of origin) can enjoy tariff-free treatment on importation into Mainland China. The two sides agreed not to apply tariff rate quotas, anti-dumping measures and countervailing measures to goods imported and originated from each other. In addition, the "Agreement on Trade in Goods", implemented since 2019, has dedicated chapters on "Customs Procedures and Trade Facilitation", "Sanitary and Phytosanitary Measures" and "Technical Barriers to Trade" to include trade facilitation measures, enhance transparency and strengthen co-operation in the relevant areas. It also has a dedicated chapter on "Trade Facilitation Measures in the Guangdong-Hong Kong-Macao Greater Bay Area" to include trade facilitation measures for the nine Pearl River Delta municipalities (namely Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing) and HKC.

- (b) trade in services – the two sides have basically achieved liberalization of trade in services. Mainland China has fully or partially opened up 153 services trade sectors to HKC's services industry, accounting for 95.6% of all the 160 WTO services trade sectors. Furthermore, the "Agreement concerning Amendment to the CEPA Agreement on Trade in Services", implemented since June 2020, introduces new liberalization measures in a number of services sectors such as financial services, legal services, and construction and related engineering services, making it easier for HKC enterprises and professionals to develop businesses in Mainland China.
- (c) investment – the two sides are committed to providing for investment protection and facilitation, and expanding market access commitments to non-services sectors.
- (d) economic and technical co-operation – the two sides have agreed to enhance co-operation in various areas with a view to catering for and supporting the development between the two places.

3.12. The two sides will continue to enrich the content of CEPA to achieve further liberalization and facilitation of trade and investment between them.

3.4.1.2 HKC–New Zealand closer economic partnership agreement

3.13. The HKC–New Zealand Closer Economic Partnership Agreement (CEP Agreement) entered into force on 1 January 2011. This Agreement is HKC's first FTA signed with a foreign economy.

3.14. A Joint Commission has been established to oversee the implementation of the CEP Agreement. At its fourth meeting held in May 2022, the Joint Commission concurred that the CEP Agreement had been implemented smoothly and effectively, providing better market access and certainty to businesses of both sides through total elimination of tariffs on trade in goods and broad trade in services liberalization commitments in various sectors. Three implementing arrangements were signed at the meeting to facilitate the ongoing co-operation and communication in the areas of rules of origin, sanitary and phytosanitary measures, and government procurement.

3.4.1.3 HKC–EFTA free trade agreement

3.15. HKC and the EFTA States signed an FTA on 21 June 2011. The part of the FTA between HKC, Iceland, Liechtenstein and Switzerland entered into force on 1 October 2012; whereas that between HKC and Norway entered into force on 1 November 2012.

3.16. The first meeting of the Joint Committee established under the FTA between HKC and the EFTA States was held in October 2017. The Joint Committee welcomed the smooth and effective implementation of the FTA, and all the decisions adopted in the first Joint Committee meeting have entered into force.

3.4.1.4 HKC–Chile free trade agreement

3.17. The HKC-Chile FTA entered into force on 9 October 2014. The two sides also signed a comprehensive investment agreement on 18 November 2016, which entered into force on 14 July 2019.

3.18. HKC and Chile signed an exchange of notes on 18 January 2022 to broaden and deepen their respective commitments on trade in services under the FTA. The updated commitments entered into force on 6 April 2023, providing for more open and liberalized treatment in a range of services sectors.

3.4.1.5 HKSAR and Macao SAR closer economic partnership arrangement

3.19. The HKSAR and Macao SAR Closer Economic Partnership Arrangement (HK-Macao CEPA) entered into force on 27 October 2017 and the liberalization of trade in goods and services provided for therein was implemented on 1 January 2018.

3.20. The HK-Macao CEPA is comprehensive in scope, covering trade in goods, trade in services, investment, intellectual property, and economic and technical co-operation, amongst others. Apart from providing legal certainty on tariff-free movement of goods between the two separate customs territories, the two sides also agreed not to apply tariff rate quotas against goods of each other. On trade in services, market access commitments are complemented with disciplines on domestic regulation to ensure that they do not constitute unnecessary barriers to trade.

3.4.1.6 HKC-ASEAN free trade agreement

3.21. The HKC-ASEAN FTA entered into force in full on 12 February 2021. The FTA is comprehensive in scope, encompassing trade in goods and related issues, trade in services, economic and technical co-operation, and dispute settlement mechanism. An Investment Agreement was also forged alongside the FTA. The Joint Committee established under the FTA held two meetings in 2019 and 2021 to ensure the smooth and effective implementation of the agreements. The Ministers and Senior Officials of both sides have been maintaining close contact, including through regular meetings, to discuss areas for further co-operation.

3.4.1.7 HKC-Georgia free trade agreement

3.22. The HKC-Georgia FTA was signed on 28 June 2018 and entered into force on 13 February 2019.

3.23. The FTA is comprehensive in scope, encompassing trade in goods and related issues, trade in services, investment (establishment), dispute settlement mechanism, and also contains provisions to ensure effective protection of intellectual property rights, promote competition, and enhance protection of the environment.

3.4.1.8 HKC-Australia free trade agreement

3.24. HKC and Australia signed an FTA and a related investment agreement on 26 March 2019. Both agreements entered into force on 17 January 2020. The agreements cover trade in goods, trade in services, investment, government procurement, intellectual property, competition, dispute settlement mechanism and other related areas. Apart from eliminating all tariffs on goods originating from each other, both sides have made various improved commitments covering a wide range of sectors for trade in services under the FTA.

3.25. The first meeting of the Joint Commission established under the FTA was held on 29 June 2022. Both HKC and Australia acknowledged the effective implementation of the FTA and agreed to deepen co-operation between the two places.

3.4.2 Free trade agreements under negotiation/being pursued

3.4.2.1 HKC-Peru free trade agreement

3.26. HKC commenced FTA negotiations with Peru in January 2023. The scope of the proposed FTA includes trade in goods and related issues, trade in services, investment, electronic commerce, government procurement, intellectual property, competition and dispute settlement mechanism. Both sides aim to achieve a high-quality and comprehensive FTA to foster closer economic partnership.

3.4.2.2 Regional comprehensive economic partnership agreement

3.27. RCEP was signed amongst the 10 ASEAN Member States and five of their FTA partners (viz. Australia, Mainland China, Japan, the Republic of Korea and New Zealand) in November 2020. Being an international trade centre with merchandise trade with the RCEP member economies constituting over 70% of HKC's total merchandise trade, HKC is actively seeking early accession to the RCEP in order to pursue further trade liberalization. HKC has submitted its formal accession request in the same month when the RCEP entered into force on 1 January 2022.

3.4.3 Investment promotion and protection agreements

3.28. HKC has been negotiating and concluding Investment Promotion and Protection Agreements (IPPAs) with foreign economies to provide additional assurance to foreign investors for their investments in HKC, and at the same time to secure additional protection for HKC investors in respect of their investments overseas.

3.29. As at April 2023, HKC has forged 22 IPPAs with 31 foreign economies, viz. the 10 ASEAN Member States, Australia, Austria, Belgium, Canada, Chile, Denmark, Finland, France, Germany, Italy, Japan, the Republic of Korea, the State of Kuwait, Luxembourg, Mexico, the Netherlands, New Zealand, Sweden, Switzerland, the United Arab Emirates and the United Kingdom. All these IPPAs have entered into force.

3.5 Customs and trade facilitation

3.30. HKC is one of the top performers in the area of trade facilitation according to the OECD Trade Facilitation Indicators published in March 2023. In particular, HKC achieved the best performance amongst the sampled economies in the areas of information availability, advance rulings, harmonization and simplification of trade-related documents, automation tools, as well as governance and impartiality.

3.31. Notwithstanding that HKC's customs procedures are recognized as amongst the easiest and fastest in the world, HKC is committed to striving for further enhancements to its already liberal and highly-efficient regulatory regime.

3.32. For cargo transported by air, the Air Cargo Clearance System (ACCS) enables carriers to submit advance cargo information electronically to the Customs and Excise Department (C&ED) at least one hour before the arrival of the aircraft; in normal circumstances, clearance can be completed before the arrival of the aircraft. The system also enables carriers to submit advance cargo information electronically under the Sea-air Cargo Transshipment Pilot Scheme since the end-2021.

3.33. As at end-August 2023, the C&ED has accredited 81 local companies as Authorized Economic Operators (AEOs), representing an increase of 84% as compared to May 2018, for enjoying customs facilitation, such as reduced inspection and prioritized clearance of cargoes at control points. The C&ED has also entered into Mutual Recognition Arrangements (MRAs) on AEO programmes with the customs administrations of Mainland China, Australia, Canada, India, Indonesia, Israel, Japan, the Republic of Korea, Malaysia, Mexico, New Zealand, Singapore and Thailand respectively. Accredited companies enjoy customs facilitation in those economies. Currently, the C&ED is holding MRA discussions with Kingdom of Bahrain, Macao, China and the Philippines.

3.34. HKC is committed to establishing the Trade Single Window (TSW) in three phases to provide a one-stop platform for lodging Business-to-Government trade documents for trade declaration and cargo clearance. Phase 1 has been fully implemented and provided e-services for 14 types of trade document. Phase 2 will extend the platform to cover another 28 types of trade document and is being rolled out progressively starting from 15 May 2023; so far 17 types of trade document have been launched and 11 will be rolled out shortly by batch. The Government is in the process of engaging a contractor to develop and implement the information technology system of Phase 3 (the final phase). It is expected that Phase 3 will be rolled out by batch from early-2026 with a view to fully implementing the TSW by 2027.

3.35. To facilitate Customs clearance, the C&ED launched the Single E-lock Scheme under the Intermodal Transshipment Facilitation Scheme (ITFS) with Mainland China Customs in March 2016 to facilitate the passage of inter-modal transshipment cargoes. Under the ITFS, a "green lane" is set up to facilitate logistics flow through seamless clearance service. Aided by electronic locks with Global Navigation Satellite System, the same consignment will only be inspected once at the point of entry or exit, which helps streamline the clearance process and expedite the flow of transshipment cargoes.

3.6 COVID-19 support measures

3.36. In face of the onslaught of COVID-19 pandemic, HKC has taken vigilant anti-epidemic measures to contain the public health risk. Having regard to the negative impact of these measures

on the livelihood of individuals and business operations, the Government has set up the AEF in 2019 to provide suitable and temporary relief to businesses and individuals hard hit by the COVID-19 pandemic or by the anti-epidemic measures, and to enhance HKC's overall capability in combating the COVID-19 pandemic.

3.37. To help businesses, especially small and medium enterprises (SMEs), to weather the COVID-19 pandemic, a total of HKD 250.9 billion (USD 32.2 billion) were injected into the AEF between 2020 and 2023, funding over 230 temporary support and relief measures. The AEF measures cover various sectors including travel, convention and exhibition, arts and culture, I&T, passenger transport, aviation and hotel, etc. which were hit hard by the pandemic, and provide support to a wide spectrum of employees and needy groups, including SMEs, whose vitality and business performance are of crucial importance to the development of HKC's economy. These temporary measures have proved to be much needed, and have helped stabilize the economy and retained business' reserve so as to embrace opportunities on our path to recovery. Majority of these support measures have come to an end as the COVID-19 pandemic no longer constitutes a major public health concern in both the international and local settings.

3.7 Competition policy

3.38. A free and competitive market is the backbone of HKC's economy. HKC is committed to promoting sustainable competition to enhance economic efficiency and free flow of trade, thereby bringing benefits to both consumers and businesses.

3.39. The Competition Commission, established under the Competition Ordinance (Chapter 619 of the Laws of Hong Kong) (CO), is an independent statutory body which enforces the CO and investigates possible contraventions, promotes public understanding of the CO, conducts market studies and advises the Government on competition matters. The Competition Tribunal, also established under the CO, is tasked to hear and adjudicate alleged breaches of the competition rules.

3.40. As at end-March 2023, the Competition Commission has processed over 5,800 cases, brought 13 cases to the Competition Tribunal, covering cases related to the First Conduct Rule and Second Conduct Rule, and issued and renewed a block exemption order for liner shipping.

3.41. Apart from litigation and enforcement actions, the Competition Commission has also been stepping up efforts in engagement and outreach as well as advocacy work with the aim of promoting public understanding of the value of competition and how the CO promotes competition. For example, the Competition Commission launched in September 2022 HKC's first TV docudrama series on competition law cases to deepen public's understanding of the CO as well as the Commission's work.

3.8 Green initiatives

3.42. Green initiatives improve the living environment for residents and make HKC a coveted destination for enterprises and talents. The Government would strive to achieve carbon neutrality before 2050. By harnessing technological innovation, finance, commerce and manpower, development of green economy can also drive economic transformation and sustainable development, generate demand and create strong impetus for growth. As a leader and a first-mover in green finance and innovation, HKC has the edge to establish itself as an international green technology and financial centre.

3.43. The Government has set up a Green Tech Fund to provide better and more focused funding support for research and development projects that can help HKC decarbonize and enhance environmental protection. HKD 400 million (USD 51 million) has been allocated to the Fund.

3.44. The Green Technology and Finance Development Committee was established in June 2023, gathering leaders from finance, technology, academic, professional services sectors, etc., as well as representatives from the Government, financial regulators and public organizations, to assist in the formulation of an action agenda for promoting the development of HKC into an international green technology and financial centre. The Government also plans to organize an International GreenTech Week at the end of 2023 to bring together representatives, enterprises and investors from the green technology industries around the world.

3.9 Infrastructural developments

3.45. To increase development capacity, the Government will continue to take forward infrastructural developments, including the Northern Metropolis which will emerge as a "new international I&T city" that integrates quality life, new economies, and culture and leisure to promote home-job balance, green living and achieve the co-existence of development and conservation. It will become the foothold for HKC's strategic development as well as the new engine for HKC to scale new heights. In order to meet the housing and other community needs and support the sustainable development of HKC in the medium to long-term, the Government is now taking forward the development of Kau Yi Chau (KYC), which will form 1,000 hectares of land by reclamation. The development includes a third Central Business District (CBD3) which will expand the scope and capacity of HKC's development and enhance HKC's competitiveness as a financial, commercial and trade centre as well as a node for legal services. With the proposed strategic transport infrastructures, KYC will connect Central and the Northern Metropolis, establishing a new industry pattern of "South-North dual engine (finance-innovation and technology)". It will also reinforce Lantau's edge as "Double Gateway" to the world and other cities in the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area), and further refine HKC's overall transportation network. The development of KYC will adopt a Smart, Green and Resilient city strategy to ensure that the development on the islands could, in the long-term, adapt to climate change and facilitate HKC to achieve the carbon neutrality target before 2050.

3.46. A highly inter-connected and accessible road network and rail system will also vigorously drive and support future development of HKC. Apart from the transport infrastructure projects that are underway, three major road projects and three strategic railway projects recommended in the Strategic Studies on Railways and Major Roads beyond 2030 will be taken forward. These projects will promote connectivity, accessibility and capacity of our world-class transport infrastructure to support the long-term development of HKC.

4 SUSTAINING LONG-TERM GROWTH AND IMPROVING BUSINESS ENVIRONMENT

4.1. On top of being a free port, HKC also maintains one of the most liberal regime for trade in services in the world. Most services sectors are free and open, and foreign service providers normally enjoy national treatment. Where applicable, licensing and qualification requirements are maintained for legitimate policy objectives or prudential reasons, and are implemented in an objective and impartial manner.

4.1 The 14th five-year plan and the belt and road initiative

4.2. Mainland China has long been HKC's largest trading partner. Mainland China is also the world's second largest economy, providing enormous opportunities not just for businesses in HKC but also those in other parts of the world. It is a vital engine for sustainable growth for the global economy. HKC is committed to making use of its unique advantages under "One Country, Two Systems" and its strategic location of being closely connected to Mainland China and the rest of the world to drive further development.

4.3. HKC will leverage the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035 (the 14th Five-Year Plan) to reinforce its competitive advantages for the continuous development of its four traditional centres¹ and four emerging sectors², capitalizing on HKC's unique strengths under "One Country, Two Systems", and a highly market-oriented and internationalized business environment that is underpinned by the rule of law. The 14th Five-Year Plan also supports HKC in fostering exchanges and co-operation with countries and regions around the world.

4.4. Pursuant to the signing of the Arrangement between the National Development and Reform Commission of Mainland China and the Government of the Hong Kong Special Administrative Region for Advancing Hong Kong's Full Participation in and Contribution to the Belt and Road Initiative (the Arrangement) in December 2017, HKC has been making earnest efforts in implementing measures

¹ Namely, international financial centre, international transportation centre, international trade centre, and a centre for international legal and dispute resolution services in the Asia-Pacific region.

² Namely, international innovation and technology hub, international aviation hub, regional intellectual property trading hub, and East-meets-West centre for international cultural exchange.

set out in the Arrangement to give full play to HKC's role as the functional platform for the Belt and Road Initiative (B&RI).³ In addition, HKC signed a Memorandum of Understanding with the Ministry of Commerce of Mainland China in September 2021 on enhancing co-operation in promoting high-quality development of overseas Economic and Trade Co-operation Zones set up by Mainland China.

4.2 Guangdong-Hong Kong-Macao greater bay area

4.5. The Greater Bay Area comprises the two Special Administrative Regions of HKC and Macao, China, as well as nine municipalities in the Guangdong Province of Mainland China. The Development of the Greater Bay Area aims to, through further deepening co-operation amongst Guangdong, HKC and Macao, China, promote synergistic economic development of the Greater Bay Area, and develop an international first-class bay area ideal for living, working and travelling. HKC will seek to enhance the inter-connectivity and strengthen the high-quality co-operation in various aspects between HKC; Macao, China and other cities of the Greater Bay Area under "One Country, Two Systems".

4.6. Being an international city with vast experience in global trading and the provision of world class professional services, HKC will continue to serve as a gateway to the Greater Bay Area to facilitate multinational companies' access to the Mainland China market and as a springboard for Mainland China companies seeking to expand into regional and international markets. Also, fully leveraging its unique position as an international financial and trading centre, the world's largest offshore Renminbi (RMB) hub and an international asset management centre, HKC is well-placed to meet the rising demand for fund-raising and financial management services for companies from the Greater Bay Area, thereby consolidating HKC's dual role in "going global and attracting foreign investment" in the Greater Bay Area.

4.3 Maintaining a free and open regime for enterprises, investment and talents

4.7. To sustain long-term growth and enhance our competitiveness, HKC is putting in place new institutional setups and implementing an array of new initiatives targeted at attracting enterprises, investment and talents.

4.8. HKC is taking proactive and aggressive measures to attract enterprises and talents from around the globe. The Office for Attracting Strategic Enterprises (OASES), led by the Financial Secretary, was established in December 2022 to attract high-potential and representative strategic enterprises from around the globe, particularly those from industries of strategic importance, such as life and health technology, artificial intelligence and data science, financial technology (Fintech), advanced manufacturing and new energy technology. An Advisory Committee on Attracting Strategic Enterprises, comprising representatives from relevant business sectors and social leaders, was set up in February 2023 to advise the Financial Secretary on the overall strategy.

4.9. On talent attraction, a series of initiatives were launched in December 2022 to facilitate outside talents to come to HKC to explore opportunities, including a new Top Talent Pass Scheme (TTPS) to entice high-income talents with good educational background. The TTPS has received positive feedback with over 30,000 applications approved as at end-July 2023. Meanwhile, HKC will set up a new agency "Hong Kong Talent Engage" to provide one-stop support services on various aspects of settlement for talents from around the world.

4.10. HKC has also set up the Dedicated Teams for Attracting Businesses and Talents in 17 Hong Kong Economic and Trade Offices overseas and Mainland China Offices to proactively reach out to high-potential target enterprises and talents.

4.4 Small and medium enterprises initiatives

4.11. With SMEs accounting for over 98% of our businesses, HKC recognizes the role of SMEs as an important driving force in economic development. HKC introduces initiatives to strengthen their engagement in international trade by supporting their operation and development through various

³ B&RI refers to the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road" which were first announced in 2013.

government funding schemes, guaranteed loan schemes, advisory services and capacity-building programmes:

- (a) **Funding Schemes:** The SME Export Marketing Fund (EMF), the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund), and the Trade and Industrial Organisation Support Fund (TSF), established in 2001, 2012 and 2018⁴ respectively, aim to assist enterprises in exploring more diversified markets and enhance their competitiveness. Since 2018, the Government has implemented several rounds of enhancements to the funding schemes to better support SMEs during the COVID-19 pandemic. In addition, SMEs also benefit from the wide range of funding schemes under the Innovation and Technology Fund to facilitate technology adoption and digital transformation in their operations.
- (b) **Guaranteed Loan Schemes:** The SME Loan Guarantee Scheme, which was established in 2001, provides loan guarantees to help SMEs secure loans from participating lending institutions for acquiring business installations and equipment and for general business use in meeting working capital needs.⁵ The SME Financing Guarantee Scheme, operated by the Hong Kong Mortgage Corporation Company Limited, was set up in 2011 with the aim to help local SMEs and non-listed enterprises to obtain financing from participating lenders for meeting their business needs so as to enhance their productivity and competitiveness in the rapidly changing business environment.
- (c) **SME Centres:** To strengthen support for SMEs and to raise SMEs' awareness of the various funding schemes, the Government has consolidated the services of the existing four SMEs centres operated by different agencies to provide "four-in-one" integrated services since October 2019 so that SMEs can obtain business information, funding schemes information, and advisory services, etc. at any of the aforementioned centres. In addition, a web portal called "SME Link" was launched in mid-2022 for SMEs to access comprehensive information and support services from a single online platform.
- (d) **SME ReachOut:** Additionally, HKC established "SME ReachOut" in January 2020 to proactively support SMEs through face-to-face or online meetings to help them identify and apply for suitable government funding schemes. The services of "SME ReachOut" will be enhanced from October 2023 to step up tailored support on government funding applications as well as capacity-building services to SMEs.

4.5 Financial services

4.12. HKC is an international financial centre, providing a wide range of financial products and services to local and international institutions and investors, as well as serving as the premier gateway between Mainland China and the rest of the world. HKC's financial markets are characterized by diverse offerings, deep liquidity, and effective and transparent regulations that are aligned with international standards. The financial services industry contributed 21.3% of HKC's GDP and 7.6% of HKC's total employment in 2021. HKC ranked fourth globally in the Global Financial Centres Index published by Z/Yen and the China Development Institute in March 2023. To strengthen HKC's competitiveness and maintain our position as a leading regional and international financial centre, HKC will continue to facilitate market development, enhance regulatory regime and upgrade market infrastructure.

4.5.1 Securities and futures

4.13. With a view to developing HKC into a deeper and broader fundraising platform and capturing new opportunities presented by the changing global financial landscape, HKC has introduced a series of revamps since 2018 to modernize its listing regime in facilitating the listing of new economy companies (including pre-revenue/pre-profit biotechnology companies and innovative companies that have weighted voting rights structures) and overseas issuers, as well as a new listing mechanism for Special Purpose Acquisition Companies. In March 2023, a new listing regime for

⁴ The TSF is a merger between the previous SME Development Fund and the Organisation Support Programme under the BUD Fund in October 2018.

⁵ The SME Loan Guarantee Scheme has ceased to receive applications from 1 April 2021 since the SME Financing Guarantee Scheme has effectively assisted SMEs in obtaining financing loans.

specialist technology companies was launched, further expanding the listing channel for issuers and facilitating advanced technology enterprises that have yet to meet the existing profit or revenue requirements of the Main Board to list and raise funds. In addition to expanding the local capital market, the new listing regime is conducive to facilitating technology companies from different places to access international capital and expand their businesses, driving forward the development of innovative technology industries and the real economy.

4.5.2 Asset and wealth management

4.14. On asset and wealth management, in addition to the Open-ended Fund Company (OFC) regime which came into effect in July 2018, the Limited Partnership Fund (LPF) regime came into effect in August 2020. A re-domiciliation mechanism to attract foreign funds to migrate to HKC as OFCs or LPFs was launched in November 2021. To provide a more facilitating tax environment, tax concessions are offered to publicly offered funds, transactions in specified assets of privately offered funds (since 1 April 2019), and carried interest issued by eligible private equity funds (since 1 April 2020). Legislation on a new profits tax exemption regime for eligible family-owned investment holding vehicles was passed in May 2023 and the tax exemption will apply to any years of assessment commencing on or after 1 April 2022.

4.5.3 Insurance

4.15. The insurance industry in HKC is a cosmopolitan and competitive one. A level-playing field is maintained for all insurers and insurance intermediaries irrespective of their place of origin. This is evident from the large number of authorized insurers (164 as of 31 July 2023) and the strong presence of foreign companies, with about 40% of the authorized insurers being incorporated outside HKC in 21 places. In 2022, the insurance density of HKC was highest in Asia and ranked second globally.

4.16. The Insurance Authority (IA), which is an independent regulator established under the Insurance Ordinance (Chapter 41 of the Laws of Hong Kong), commenced statutory functions to regulate insurance companies in June 2017, subsequently assumed the responsibility for direct regulation of insurance intermediaries in September 2019, and effected in March 2021 an enhanced legal framework for performing group-wide supervision. In co-operation with the IA, the Government implemented in 2021 a series of measures to promote market development, including offering half-rate profits tax concessions for marine and speciality insurance, and expanding the scope of insurable risks for captive insurers set up in HKC. HKC also established in 2021 a dedicated regulatory regime and pilot grant scheme for insurance-linked securities (ILS), which have facilitated four issuances of catastrophe bonds in HKC with a total issue amount of USD 560 million, one of them being the inaugural ILS listed on the Hong Kong Exchanges and Clearing Limited. Moreover, HKC is undertaking a legislative exercise to implement a Risk-based Capital regime for HKC's insurance industry to further strengthen the financial soundness of insurance companies and align with international standards.

4.5.4 Offshore Renminbi business

4.17. HKC continues to be a global offshore RMB business hub, with the world's largest offshore pool of RMB funds and foreign exchange and interest rate derivatives market, and a leading position in RMB settlement, financing and asset management providing a diversified range of RMB products and services. As at end-2022, RMB deposits (including outstanding Certificates of Deposit) in HKC was about RMB981.7 billion. According to SWIFT, about 75% of global offshore RMB payments are processed in HKC. HKC will continue to promote the launch of more RMB-denominated investment tools and the provision of stable and highly efficient treasury services such as foreign exchange, exchange rate risk and interest rate risk management tools in the market.

4.5.5 Bond market

4.18. The bond market of HKC has continued to grow in tandem with the Government's active promotion. According to the International Capital Market Association, counting in terms of bonds issued internationally by Asia-based entities, the volume arranged by HKC ranked first globally for seven consecutive years since 2016, exceeding USD 100 billion and capturing 30% of the market in 2022. As digitalization of the bond market gathers pace, the Government issued tokenized green

bonds leveraging the blockchain technology in February 2023 to demonstrate the feasibility of HKC's platform and encourage industry take-up. The Government will continue to promote the advantages of HKC's bond market to issuers and investors around the world to deepen the bond market development.

4.5.6 Virtual assets

4.19. In October 2022, HKC issued a Policy Statement on Development of Virtual Assets (VA) in Hong Kong, China setting out the vision and policy direction of the Government in this regard. HKC is committed to establishing a facilitating environment, with timely and necessary guardrails to mitigate actual and potential risks put in place in accordance with international standards. To enhance the regulatory framework, HKC has put in place a licensing regime for VA trading platforms, which commenced operation in June 2023. The Government has established the Task Force on Promoting Web3 Development to provide recommendations on the sustainable and responsible development of Web3 in HKC.

4.5.7 Green and sustainable finance

4.20. HKC takes a multi-pronged strategy to promote green and sustainable finance. As at early May 2023, the Government has successfully issued since May 2019 Government green bonds totalling close to USD 16 billion equivalent, including retail green bonds. The Government issued tokenized green bonds leveraging the blockchain technology in February 2023. The Government also launched the Green and Sustainable Finance Grant Scheme in 2021 to provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services, and the Pilot Green and Sustainable Finance Capacity Building Support Scheme in December 2022 to encourage local eligible practitioners and related professionals as well as students and graduates of relevant discipline to participate in training related to green and sustainable finance. The Hong Kong Exchanges and Clearing Limited launched an international carbon marketplace Core Climate in October 2022, which is currently the only carbon marketplace that offers HKD and RMB settlement for the trading of international voluntary carbon credits.

4.6 Innovation and technology

4.21. In late 2022, the Innovation, Technology and Industry Bureau promulgated the Hong Kong Innovation and Technology Development Blueprint (the I&T Blueprint) to establish a clear development roadmap and formulate systematic strategic planning for HKC's I&T development over the next 5 to 10 years, charting the path for HKC to move full stream towards the vision of an international I&T centre.

4.22. Major initiatives outlined in the I&T Blueprint include developing I&T infrastructure through the construction of the new Hong Kong-Shenzhen Innovation and Technology Park (HSITP) and expansion of the existing Science Park and Cyberport; promoting research and development (R&D); supporting start-ups and technology investments; promoting technology adoption and nurturing I&T culture; and nurturing and attracting I&T talents.

4.23. Looking ahead, the 2023-24 Budget has further announced the following measures to enhance HKC's I&T ecosystem, so as to support HKC's development into an international I&T centre:

- On developing digital infrastructure and promoting digital transformation, the Government has commenced a feasibility study on the development of an Artificial Intelligence (AI) Supercomputing Centre, set aside HKD 500 million (USD 64 million) for Cyberport to launch a Digital Transformation Support Pilot Programme, and allocated HKD 50 million (USD 6.4 million) to expedite the Web3 ecosystem development in HKC;
- On consolidating HKC's strengths in scientific research and promoting the development of technology industries, the Government will set aside HKD 6 billion (USD 739 million) to support universities and research institutes to set up thematic research centres related to life and health technology, as well as earmark HKD 3 billion (USD 385 million) to promote the development of frontier technology fields such as AI and quantum technology;

- On nurturing technology start-ups and talents, the Hong Kong Science & Technology Parks Corporation (HKSTPC) will inject HKD 400 million (USD 51 million) into its Corporate Venture Fund and allocate HKD 110 million (USD 14 million) to launch the Co-acceleration Programme in collaboration with co-operation partners. A provision of HKD 265 million (USD 34 million) is set aside for Cyberport to launch a dedicated incubation programme for smart living start-ups, and a funding of HKD 300 million (USD 38 million) to extend the IT Innovation Lab in Secondary Schools Programme; and
- On developing I&T Infrastructure and promoting new industrialization, the HKSTPC will conduct a feasibility study on the setting up of the second Advanced Manufacturing Centre. Moreover, the first three buildings of the HSITP in the Lok Ma Chau Loop will be gradually completed from the end of next year, while the consultation on the development proposals and land use planning of San Tin Technopole will begin in the second quarter of 2023 for target commencement of site formation works in the fourth quarter of 2024.

4.24. In tandem, HKC endeavors to build a smart city with a smart government by turning all government services online by 2024 and providing one-stop digital services through full adoption of the "iAM Smart" platform by 2025. The digitalization process will be marked by a hundred digital government projects with the application of technology for the benefit of the public. As at end-2022, over 80% of the licences and government services involving application and payment have been provided with e-options.

4.25. The 5G mobile services were commercially launched on 1 April 2020, enabling users of mobile communications services to enjoy up-to-date and advance innovative communications services and smart city applications. Since then, 5G deployment has become more and more prevalent. At present, HKC's 5G network has reached more than 90% of the population, covering major locations in the urban areas and all 98 mass transit railway stations. The coverage in core business areas for some mobile network operators has even reached 99%. The Government will continue to promote 5G development on various fronts, including opening up 1 500 and more government premises to facilitate installation of radio base stations, making available suitable spectrum timely to suit market needs and supporting different sectors to promote wider deployment of 5G technology and applications.

4.26. According to the IMD, HKC ranked third in Asia-Pacific (ninth in the world) for digital competitiveness in 2022. To speed up the development of the digital economy in HKC, the Digital Economy Development Committee, chaired by the Financial Secretary, was set up in June 2022 to look into the digital infrastructure needed to promote the development of the digital economy, examine ways on the transfer of cross-boundary data in a convenient, efficient and secure manner, the digital transformation of enterprises, and human resources support.

4.7 Trading, shipping, aviation and logistics services

4.27. The convention and exhibition (C&E) industry has always been an important element in underpinning HKC's status as an international trade centre. The C&E industry brings important contributions to HKC's economy by attracting high-spending overnight business visitors, spurring economic activities and creating employment opportunities in sectors such as tourism, retail, catering, entertainment industries, etc.; while facilitating local SMEs to connect with international buyers and suppliers to develop new markets and explore business opportunities. The Government strives to support the C&E industry in short and long terms through provision of financial incentives and expansion of C&E facilities. To consolidate HKC's status as a premier venue for large-scale international C&E activities, the Government will take forward the AsiaWorld-Expo Phase 2 project and the Wan Chai North redevelopment project to substantially increase large-scale C&E spaces.

4.28. HKC also strives to enhance its status as an international aviation hub. On air transport, the Airport Authority Hong Kong (AAHK) is pursuing various infrastructure projects such as the Three Runway System (3RS) to increase the passenger and cargo handling capacity of Hong Kong International Airport (HKIA). The Third Runway was officially commissioned in 2022, marking a key milestone of the 3RS project. The AAHK is also materializing its vision in phases starting 2022 to transform HKIA into an Airport City with increased capacity, functionality and connectivity, which will help to foster cross-border logistics, trade and business and ultimately enhance and consolidate HKC's status as an international aviation hub.

4.29. HKC is the world's no. 1 cargo hub. In terms of air cargo, the expansion of the express mail centre at HKIA was completed in March 2023, while a new premium air cargo logistics centre is expected to become operational in the fourth quarter of 2023. Redevelopment of the Air Mail Centre at HKIA is also underway. In addition, HKIA has obtained international accreditations for handling high-value cargo such as pharmaceuticals, fresh produce and live animals, with complementary world-class temperature-controlled facilities in place.

4.30. On maritime transport, the Government is committed to consolidating and enhancing HKC's position as an international maritime centre. As announced in the Chief Executive's 2022 Policy Address, HKC will launch a Maritime Services Traineeship Scheme in 2023 to provide traineeship for young people who aspire to a career in maritime law, as well as actively promote the development of smart port to strengthen the competitiveness of our port by setting up a port community system to facilitate the flow and sharing of data amongst operators and other stakeholders. As further announced in the 2023-24 Budget, in order to further promote the development of HKC as an international maritime centre, the Government will set up a task force with the aim of putting forward, in collaboration with the industry, an action plan by the end of 2023 on strategies that include enhancing business sectors such as ship finance, marine insurance, maritime arbitration and ship management, thereby enabling HKC to become a global leading high-end maritime service market.

4.31. On logistics front, HKC has all along been an important logistics hub in Asia underpinned by its strengths as an international aviation hub and an international maritime centre. The Government is working closely with the logistics industry as well as the Hong Kong Logistics Development Council to map out development strategies along the direction of enhancing intermodal operation within the Greater Bay Area, promoting the development of high-end and high value-added logistics services as well as encouraging a wider application of smart logistics solutions, so as to create an environment conducive to the sustainable and healthy development of the industry for accelerating the development of HKC as a modern logistics hub.

4.8 Intellectual property trading

4.32. HKC has been pursuing a multi-pronged strategy to drive the development of IP trading. The measures adopted by the Government focus on the following three areas:

- Enhancing IP protection regime – A prerequisite to IP trading is the legal protection of intellectual creations and the recognition of IP rights in HKC's legal system. Our enhancement efforts in this respect are set out in subsections 4.9.1.1 to 4.9.1.4 on the legislation front.
- Strengthening capacity-building – Since 2015, the IP Manager Scheme launched by the Intellectual Property Department (IPD) has been assisting local enterprises, especially SMEs, in enhancing their IP manpower capacity and boosting their competitiveness through strategic IP management and commercialization. With support from the Law Society of Hong Kong, the IPD has been providing free IP consultation services for SMEs since December 2014 to raise their awareness of IP, and to assist them to develop effective IP management and commercialization strategies and deal with possible challenges in the competitive business environment.
- Stepping up external promotion and education – The Government has been co-organizing the Business of IP Asia Forum with the Hong Kong Trade Development Council (HKTDC) and the Hong Kong Design Centre (HKDC) every year since 2013. The 2022 Forum attracted over 14,500 participants from 46 countries and regions. The IPD also co-organized with the Association of Southeast Asian Nations Working Group on IP Cooperation a webinar on "IP Commercialisation in a Knowledge-based Economy" in December 2022, which attracted over 500 accumulated live views.

4.33. The IPD has continued to work with the Department of Justice (DoJ) to promote HKC as a centre for international legal and dispute resolution services in the Asia-Pacific region, including one for resolving IP disputes. In this connection, the two Departments have been collaborating to promote the use of arbitration and mediation to resolve IP disputes.

4.9 Protection of intellectual property rights

4.34. HKC is committed to protecting IP rights. This commitment is underpinned by the dual principles of respecting private economic rights and recognizing the importance of robust IP protection to HKC's economic growth. According to the Global Competitiveness Report 2019⁶ published by the World Economic Forum, HKC was ranked the fifth globally on the indicator of "IP protection". In the 2023 World Competitiveness Yearbook published by the IMD, HKC was ranked the 12th globally on the indicator of "IP rights". HKC achieves this through comprehensive IP legislation, rigorous enforcement action, sustained public education, close co-operation with rights owners and other law enforcement agencies, and promotion of IP trading.

4.9.1 Legislation

4.9.1.1 Patents law

4.35. With the launch of the new patent system in December 2019, HKC now operates an original grant patent (OGP) system which offers a direct route for seeking standard patent protection in HKC with a maximum term of 20 years, as an alternative to the "re-registration" route. OGP applications are subject to substantive examination by the Patents Registry of IPD for determining the patentability of the underlying inventions. The new patent system also refines the short-term patent system (under which short-term patents with a maximum term of eight years are granted upon formality examination) by enabling a short-term patent owner or a third party having a legitimate interest in the validity of a short-term patent to request the Registry to carry out substantive examination on the underlying invention. This new post-grant substantive examination mechanism safeguards the integrity of the short-term patent system while maintaining its overall cost-effectiveness.

4.36. The IPD is enhancing its substantive examination capability by increasing the number of patent examiners in phases with a view to acquiring institutional autonomy in conducting substantive patent examination by 2030.

4.9.1.2 Copyright law

4.37. HKC enacted the Copyright (Amendment) Ordinance 2020 in June 2020 to enhance the copyright exceptions relating to persons with a print disability in the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) by bringing them in line with the standards under the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled (which entered into force in Mainland China and applied to HKC in May 2022).

4.38. In addition, the Copyright (Amendment) Ordinance 2022 entered into force on 1 May 2023 to strengthen copyright protection in the digital environment in light of rapid advances in technology. The Government will also embark on a new round of copyright review with a view to maintaining a robust and competitive copyright regime.

4.9.1.3 Trade marks law

4.39. The Trade Marks (Amendment) Ordinance 2020 was enacted in June 2020 to provide a legal basis for the application of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (Madrid Protocol) to HKC. The Government has since been pressing ahead with the necessary preparatory work for implementation of the Madrid Protocol in HKC, with a view to implementing the international trademark registration system under the Madrid Protocol in HKC as early as practicable.

4.9.1.4 Designs law

4.40. The Registered Designs Ordinance (Chapter 522 of the Laws of Hong Kong) effective since June 1997 provides HKC with its own design protection system. The Government plans to

⁶ This is the latest edition available.

launch a comprehensive review of the registered designs regime in 2024 with a view to launching consultation in 2025 on the way forward in updating the regime.

4.9.2 Enforcement

4.41. The C&ED strives to combat trademark counterfeiting and copyright infringement activities. The sustained actions put trademark counterfeiting in HKC firmly under control, with no sign of major counterfeit goods manufacturing activities emerging. Special attention has also been paid to trademark counterfeiting activities related to goods which affect public health including medicines and food, and immediate enforcement actions have been taken against such illicit activities.

4.42. The C&ED spares no efforts in combating online infringement activities. New technologies have been employed in cyber investigations and enforcement operations have been conducted against the online sales (mostly on online market places and social media platforms) of counterfeit and infringing goods, as well as the sale of karaoke players with infringing songs and the provision of infringing karaoke songs by party room operators.

4.43. From 2019 to 2022, the C&ED has detected more than 450 online cases with seizure of about 57,000 items of infringing goods with an estimated market value of about HKD 18 million (USD 2.3 million). The seized goods covered a variety of commodities including counterfeit goods such as leather products, clothes, footwear, accessories, perfumes, cosmetics products and pirated goods like pirated electronic games, karaoke players loaded with infringing songs and electronic devices used for circumventing paid TV channels.

4.10 Legal and dispute resolution services

4.44. As a leading international centre for legal and dispute resolution services, HKC possesses a solid foundation of the rule of law and a robust legal system, which is bilingual in English and Chinese. HKC's common law system follows the same legal tradition as the world's major economies and aligns with international business rules. Fundamental rights and freedoms, including freedom of speech, of the press, of assembly and the right to a fair trial, are enshrined in the Basic Law. HKC courts exercise judicial power independently, including the power of adjudication, free from any interference. HKC has a wealth of legal and dispute resolution professionals with cross-regional experience, multilingual proficiency and cultural diversity, giving it an edge on the provision of professional and quality legal and dispute resolution services to the Asia-Pacific region and beyond.

4.10.1 Arbitration

4.45. HKC is a world-renowned international arbitration centre, with a pro-arbitration judiciary, a modern arbitration law based on the UNCITRAL Model Law on International Commercial Arbitration and many world-class arbitral institutions.

4.46. HKC has long been recognized as a preferred seat for international arbitration. In the 2021 International Arbitration Survey conducted by Queen Mary University of London, HKC ranked the third most popular seat for arbitration globally, chosen by 50% of the survey respondents worldwide.

4.47. In addition to the resolution of disputes involving international parties, specialist arbitrations are also well-established in HKC, such as intellectual property arbitration, domain name arbitration, maritime arbitration, construction arbitration and investment arbitration.

4.48. Arbitral awards made in HKC can be recognized and enforced in Mainland China; Macao, China; and internationally, with a good track record of quality and enforceability. HKC is the first seat of arbitration outside Mainland China where parties are able to apply directly to Mainland China courts for interim measures.

4.49. On 21 September 2020, the Baltic and International Maritime Council (BIMCO) announced the adoption of the BIMCO Law and Arbitration Clause 2020. The Law and Arbitration Clause 2020 replaces the Dispute Resolution Clause 2017. HKC is named under the new Arbitration Clause as one of the four designated arbitration venues, alongside London, New York and Singapore, proving HKC's strength as a reputable maritime arbitration centre.

4.10.2 Mediation

4.50. The Mediation Ordinance (Chapter 620 of the Laws of Hong Kong) promotes, encourages and facilitates the use of mediation to resolve disputes and protects the confidential nature of mediation communications. On 16 February 2023, the International Organization for Mediation Preparatory Office was set up in HKC, strengthening HKC's position as an international legal and dispute resolution services centre in the Asia-Pacific region. The DoJ has also been proactively organizing and supporting a number of training and capacity-building programmes to strengthen HKC's status as a regional and international centre for legal and dispute resolution services.

4.10.3 Online dispute resolution

4.51. HKC supports the development of online dispute resolution (ODR) to provide an efficient, cost-effective and secure platform for resolving disputes between parties in any part of the world. HKC has opted into the APEC Collaborative Framework for Online Dispute Resolution of Cross-Border Business-to-Business Disputes (APEC ODR Framework) in April 2020.

4.11 Tourism, art, cultural and creative industries

4.11.1 Tourism

4.52. Tourism is traditionally a pillar industry of HKC. In 2018, before the COVID-19 pandemic, it accounted for 4.5% of HKC's GDP and employed some 260,000 people. However, the industry suffered heavily under the COVID-19 pandemic since early-2020, with both outbound and inbound tourism ground to a halt for almost three years.

4.53. With the COVID-19 pandemic easing, HKC's reopening gathered pace since the last quarter of 2022. The Government launched the "Hello Hong Kong" global promotion campaign heralding our return to the world stage and welcoming visitors to return to HKC. The tourism industry of HKC is thus right on the recovery path. The latest inbound figures show that the number of visitor arrivals in July 2023 reached 3.59 million, returning to 69% of that in July 2019 and 66% of that in July 2018.

4.54. At this critical initial stage of recovery, the Government is allocating an additional HKD 950 million (USD 122 million), including HKD 820 million (USD 105 million) of additional funding for the Hong Kong Tourism Board (HKTB) to attract visitors back to HKC on one hand and continue to support the tourism trade in consolidating its tourist receiving capacity on the other. Together with its recurrent allocation of close to HKD 730 million (USD 94 million) in 2023-24, HKTB will be reinforcing its efforts in promoting HKC to visitors around the world. HKTB will also organize and support the staging of major culture, sports and tourism events in HKC as well as step up efforts in securing more meetings, incentive travels, conventions and exhibitions (MICE) of various scales and types in HKC with a view to strengthening HKC's position as an events capital and a premier MICE destination.

4.11.2 Art and culture

4.55. The Government is committed to fostering the cultural development of HKC to expedite its progression into an East-meets-West centre for international cultural exchange, and the Culture, Sports and Tourism Bureau (CSTB) was established in July 2022 to further promote the development of the sector. HKC has formulated policy measures to leveraging our unique position under "One Country, Two Systems" and the advantages of HKC as a city where Chinese and Western cultures meet. The specific strategic directions include (a) developing world-class cultural facilities and a pluralistic cultural environment; (b) enhancing cultural exchange and co-operation with Mainland China and strengthening our connections with overseas arts and cultural organizations; (c) leveraging technology to promote the application of integrated "Arts + Tech"; and (d) nurturing talents. The unique and inclusive cultural diversity and world-class arts and cultural facilities would contribute to the development of relevant industries, attract more talents, and also make HKC a more attractive society for all.

4.56. The West Kowloon Cultural District (WKCD), stretching across 40 hectares along Victoria Harbour, is an integrated arts and cultural district with world-class facilities. It aims to

promote the development of arts and culture, meet the public's growing cultural needs and strengthen HKC's position as an international arts and cultural metropolis.

4.57. Major arts and cultural facilities in WKCD include the Hong Kong Palace Museum (opened in July 2022) that showcases most delicate objects from Palace Museum and other leading cultural institutions around the world; M+ (opened in November 2021), a museum of contemporary visual culture presenting collections that focus on 20th and 21st century visual culture; Xiqu Centre (opened in January 2019) which aims to preserve, promote and develop the art of Chinese traditional theatre, and to nurture the local form of Cantonese opera and promote other forms of xiqu; and Freespace (opened in June 2019), HKC's new centre for contemporary performances and a creative space for cutting-edge productions. Other major facilities in the WKCD, including the Lyric Theatre Complex, are planned for completion in the next few years.

4.11.3 Creative industries

4.58. To spearhead the development of HKC's creative industries, the Government set up in 2009 a dedicated office, "Create Hong Kong" (CreateHK) to provide one-stop services to the trade. Amongst others, CreateHK operates two funding schemes, viz. the Film Development Fund to support projects conducive to the long-term development of the film industry, and the CreateSmart Initiative to support initiatives that are conducive to the development and promotion of the non-film creative sectors.

4.59. The Government has collaborated with HKDC to promote HKC's wider use of design and design thinking in the business and public sectors. The HKDC also seeks to educate the professions and the community to be resourceful champions for sustainable development through design and innovation. The Government has also collaborated with the HKTDC in organizing programmes/activities through its extensive contact networks and promotional platforms to facilitate local creative industries to expand their markets.

5 CONCLUSION

5.1. HKC is a longstanding supporter and practitioner of free market and multilateralism. Notwithstanding the uncertainties posed by the rapidly changing global economic environment, rise of protectionism and challenges in the aftermath of the prolonged COVID-19 pandemic, HKC remains steadfast in maintaining its free market policy and supporting progressive trade liberalization. HKC will continue to take on new initiatives and put in place new institutional setups to facilitate trade and business, and seize growth opportunities as HKC forges ahead with our economic development.

5.2. As an extremely externally-oriented economy, HKC counts on a strong multilateral trading system with WTO at its core to promote and protect its trade interests. A rules-based, non-discriminatory, fair, open and transparent multilateral trading system is the pre-requisite in advancing the shared objectives of inclusive growth, innovation, job creation, and sustainable development amongst WTO Members. HKC will continue to defend its legitimate rights and honour its obligations under the WTO covered agreements, with a view to maintaining the security, predictability and integrity of the multilateral trading system. HKC will also continue to work closely with all WTO Members to strengthen and deepen the multilateral trading system.
