

The Chief Executive's 2020 Policy Address

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On 25th November 2020, the Chief Executive of Hong Kong Special Administrative Region, Carrie Lam delivered the policy address for the fourth time since taking office. Under the theme of "Striving Ahead with Renewed Perseverance", in addition to participating in the Greater Bay Area¹ (hereinafter referred to as "GBA") development plan and strengthening cooperation with Mainland China in order to speed the recovery of the Hong Kong economy, the policy address included land and housing supply, employment scheme for young people, and support measures for small and medium enterprises. This report will introduce the main contents of the policy address.

OUTLINE OF THE SPEECH OF THE POLICY ADDRESS

Carrie Lam stated that in the past year or so Hong Kong has experienced multiple blows including mass protests, the COVID-19 pandemic and external interference, resulting in a serious negative impact on economic development, social stability, and its international reputation. Thus, the main purpose of the policy address is to restore trust in Hong Kong from citizens and business community.

As a result of funding of subsidies to industries and citizens, the government's recurrent expenditure has jumped 34.5 percent in 2020/2021, HK \$486.6 billion, setting a new record high expenditure. While it will be difficult to carry on with the current spending level in the ongoing economic downturn, infrastructure investment and land development will be continued to meet the needs of civilian life and the economy.

Carrie Lam also mentioned that in order to give new impetus to the Hong Kong economy, it should take advantage of its geographical proximity to Mainland China, which has recovered rapidly from the COVID-19 pandemic, and actively participate in the development of the nation. She postponed the announcement of the policy address to allow for further consultation with Beijing, Shenzhen, and Guangzhou about measures that would be beneficial to both the cities and Hong Kong. As a result, many co-operation development plans with GBA and those cities have been formulated, emphasizing business connections with Mainland China.

Policies that support businesses and individuals affected by the COVID-19 pandemic have been launched as well. Below is the summary of the policy address.

MAIN CONTENT

MAIN CONTENTS OF THE POLICY ADDRESS (Extract)	
Finance	■ Accelerate the pace of the inclusion of pre-profit bio-tech companies listed in HK and stocks listed on the Mainland Sci-Tech Innovation Board ² meeting certain prescribed criteria in the scope of eligible securities under the programmes.

¹ GBA is a megalopolis, consisting of 9 cities such as Guangzhou, Shenzhen, and Zhuhai in Mainland China, 2 special administrative regions, Hong Kong and Macao.

² It is designed to provide direct financing support for companies in hi-tech and strategic emerging sectors such as next-generation information technology.

	<ul style="list-style-type: none"> ■ Expedite the implementation of the cross-boundary wealth management connect scheme³ in the GBA. ■ Relax the restrictions of real estate investment trusts (REIT) and broaden the investor base to develop Hong Kong into a vibrant REIT market in Asia. ■ Provide tax concession for carried interest issued by private equity funds operating in Hong Kong subject to the fulfilment of certain conditions.
Aviation & Logistics	<ul style="list-style-type: none"> ■ Commission the third runway at The Airport Authority Hong Kong (AAHK) in 2022. ■ Complete the premium logistics centre⁴ in 2023. ■ Complete the SKYCITY development projects⁵ in phases between 2021 and 2027. ■ Allow the AAHK to inject equity in the Zhuhai Airport on the basis of market principles for achieving greater synergy between the two airports and strengthening the competitive edge of the entire GBA in aviation. ■ Develop automated car parks on the Hong Kong Boundary Crossing Facilities (HKBCF) Island of the Hong Kong-Zhuhai-Macao Bridge (HZMB)⁶ for transfer passengers. ■ Commence preparation for the provision of cross-boundary commercial helicopter services.
Innovation & Smart City Blueprint	<p><u>Innovation</u></p> <ul style="list-style-type: none"> ■ Build a joint development of the Shenzhen/Hong Kong Innovation and Technology Co-operation Zone (SITZ) in Lok Ma Chau, allowing the Hong Kong Science and Technology Parks Corporation (HKSTPC) to lease and manage certain areas of the Innovation and Technology Zone in Futian. ■ Launch a scheme for a period of 5 years at an estimated cost of \$2 billion to attract more I&T talents from overseas. ■ Provide \$100 million to nearly 200 youth start-ups that intend to start their businesses in the GBA. ■ Launch the scheme that encourages enterprises with operation in both HK and the GBA to recruit and deploy local university graduates to work in the Mainland cities of the GBA (2,000 places such as I&T positions). <p><u>Smart City Blueprint</u></p> <ul style="list-style-type: none"> ■ Set out more than 130 smart city initiatives in the Smart City Blueprint for Hong Kong 2.0 to be released in December 2020. ■ Launch the “iAM Smart” that offers public services including online application for vehicle licence renewal and electronic submission of tax returns in December 2020. ■ Plan to release more 5G spectrum in different frequency bands in 2021.
Industrial Support	<p><u>Construction</u></p> <ul style="list-style-type: none"> ■ Raise the expenditure ceiling of each minor works project funded under the block vote from \$30 million to \$50 million to create jobs to be launched as soon as possible. <p><u>Tourism</u></p> <ul style="list-style-type: none"> ■ Roll out additional relief measures for the industry, involving a total commitment of close

³ It is an arrangement where residents can carry out cross-boundary investment in wealth management products distributed by financial institution in the GBA.

⁴ The logistics center with the latest technologies such as automated warehouses and temperature control, located in the southern part of Hong Kong International Airport.

⁵ SKYCITY, a major integrated commercial development, is a core part of the strategy to expand and transform Hong Kong International Airport into an ‘Airport City’.

⁶ It is the longest sea crossing and the longest fixed link on earth. It comprises a series of bridges and tunnels that connect Hong Kong, Macau, and Zhuhai in the Pearl River Delta in China.

	<p>to \$600 million.</p> <p><u>Convention and Exhibition</u></p> <ul style="list-style-type: none"> Redevelop the sites of the three government towers in Wan Chai North and the Kong Wan Fire Station into C&E facilities, hotel and Grade A office. Commission the new community treatment facility at AsiaWorld-Expo. <p><u>Real Estate</u></p> <ul style="list-style-type: none"> Abolish the Doubled Ad Valorem Stamp Duty on non-residential property transactions with effect from 26th November 2020. <p><u>Creative Industries</u></p> <ul style="list-style-type: none"> Inject an additional \$1 billion into the CreateSmart Initiative to further promote the development of the creative industries. Set aside a total of \$100 million under the various funds for Art Tech industries. <p><u>Legal Services</u></p> <ul style="list-style-type: none"> Explore the development of the Hong Kong Legal Cloud to provide secure, reliable and affordable data storage services to promote the overall long-term development of Hong Kong's legal and dispute resolution services.
Small and Medium Enterprises	<ul style="list-style-type: none"> Expand the scope of the SME Export Marketing Fund and relax the eligibility criteria to cover non-SMEs. Set aside \$50 million to step up promotion of Hong Kong's competitive edges and professional services to the GBA and overseas markets. Launch a one-stop "GoGBA" platform to provide multi-faceted support for HK enterprises, including market information on the GBA and related government policies, enquiry service and training, business promotion, and so on.
Market Development & Economic Recovery	<ul style="list-style-type: none"> Facilitate exchanges and networking that foster co-operation between Hong Kong's professional services sector and Mainland enterprises and strengthen the capacity building of both sides. Continue to seek to be among the first batch of economies joining the RCEP⁷.
Schemes related GBA	<p><u>Insurance</u></p> <ul style="list-style-type: none"> Implement the arrangement of using Hong Kong-registered drugs and medical devices used in Hong Kong public hospitals at The University of Hong Kong – Shenzhen Hospital on a trial basis. Allow traditional proprietary Chinese medicine products for external use registered in HK to be registered and sold in the GBA through a streamlined approval process. <p><u>Cross-Boundary Infrastructure Development</u></p> <ul style="list-style-type: none"> Allow eligible Hong Kong private cars to travel between Hong Kong and Guangdong via the HZMB without quota. Implement the "East in East out, West in West out" planning strategy⁸ for cross-boundary goods traffic. <p><u>Education</u></p> <ul style="list-style-type: none"> Support and assist various universities in Hong Kong in their plans to provide education

⁷ The Regional Comprehensive Economic Partnership is a free trade agreement between the Asia-Pacific nations such as China, Japan, South Korea, and ASEAN countries.

⁸ It is a strategy for cross-boundary goods traffic between Hong Kong and Shenzhen.

	<p>services in the GBA.</p> <p>Investment</p> <ul style="list-style-type: none"> Establish the Pan-Greater Bay Area Inward Investment Liaison Group to enable InvestHK and its counterparts in other cities in the GBA.
Environment & Conservation	<ul style="list-style-type: none"> Plan to launch a long-term strategy blueprint on waste management and Hong Kong's first roadmap on the popularisation of electric vehicles. Plan to cease the sale of conventional fuel-propelled private cars. Strive towards the goal of carbon neutrality by 2050 and update the "Hong Kong's Climate Action Plan" in the middle of 2021. Develop green finance to boost investments conducive to reducing carbon emissions. Form a Bills Committee again to study the Waste Disposal (Charging for Municipal Solid Waste) (Amendment) Bill 2018 in this legislative year.
Housing	<ul style="list-style-type: none"> Inject an additional \$3.3 billion into the relevant funding scheme and provide 15,000 transitional housing units within 3 years. Implement a pilot scheme to subsidise NGOs to rent suitable rooms in hotels and guesthouses with relatively low occupancy rates for use as transitional housing. Launch a trial scheme to provide cash allowance for low-income families awaiting public rental housing (PRH) allocation for a prolonged period. Complete a study on tenancy control for "subdivided units" which are sub-divided into two or more smaller units for rental purposes in the first quarter of 2021. Conduct studies on the artificial islands in the Central Waters under the Lantau Tomorrow Vision.

COMMENTS

The policy address stipulates measures for housing, education, and support for businesses affected by the COVID-19 pandemic, as well as economic promotion measures such as relaxing investment restrictions, but among them, co-operation strategies with GBA aiming at improving the economy seems to be one of the key points.

Following the addition of a "Dual Circulation" policy to the 14th Five-Year Plan, announced by the government of the People's Republic of China, the policy address also points to strengthening ties with GBA, and Hong Kong's role in the "Dual Circulation" policy. The "Dual Circulation" policy seeks to spur China's domestic demand on one hand and simultaneously develop conditions to facilitate foreign investment and boost production for exports on the other. Taking advantage of the "one country, two systems", Hong Kong will play the role of "participant" in the internal circulation and "intermediary" in the external circulation, triggered by the development of GBA, and continue to be a "gateway" connecting Mainland China to overseas nations.

The enactment of the "National Security Law" (hereinafter referred to as "NSL") and the disqualification of legislators have triggered interference by external forces. It has impacted on the reputation of Hong Kong as a global business hub, but Carrie Lam mentioned that the NSL has restored stability in Hong Kong society. In the future, in order to restore its reputation, schemes especially for talent/professionals and investment seem to be one of the key initiatives.

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