

# LCQ 17: Impacts of the revocation of Hong Kong's special trade status

Following is a question by the Hon Charles Mok and a written reply by the Secretary for Innovation and Technology, Mr Alfred Sit, in the Legislative Council today (June 17):

Question:

The innovation and technology sector as well as the information technology sector in Hong Kong are concerned about the impacts on technology enterprises as well as research and development activities which will be brought about by the initiatives of the United States (US) of revoking the tariff preferences given to Hong Kong and imposing restrictions on the export of technology products to Hong Kong amid the trade war between China and the US. In this connection, will the Government inform this Council:

(1) whether, according to the Government's assessment, those industries of areas such as biotechnology, information security, artificial intelligence, automobile, robotics, genetic engineering and financial technologies, which are for military use or civilian use, will be affected by the US's initiatives; according to its estimation, which technology products will be subject to export controls or bans, as well as the quantities and the total value of the products involved;

(2) of the number of the following projects, according to the Government's assessment, which may be affected by the US's initiatives: (i) projects of research clusters under InnoHK which are in progress and those projects which have been approved and will commence shortly, and (ii) financing projects for technology start-ups of the Cyberport/ Hong Kong Science and Technology Parks Corporation; whether it has studied providing support and taking remedial measures to mitigate the impacts on such projects; if so, of the details;

(3) whether it has assessed how the US's initiatives will affect the effectiveness of the work of Invest Hong Kong in attracting foreign-funded enterprises and start-ups to set up businesses in Hong Kong; if so, of the details; and

(4) given that according to the estimation made by some members of the innovation and technology sector, the US's initiatives may include imposing (i) export bans on sensitive and precision technologies and products, (ii) additional export tariffs on technology products, and (iii) restrictions on investment projects involving hardware, software and know-how, whether the Government has any measures to assist the sector in coping with the situations concerned; if so, of the details?

Reply:

President,

In consultation with the Commerce and Economic Development Bureau, the consolidated reply to the various parts of the question is as follows:

Hong Kong and the United States (US) have been maintaining a mutually beneficial co-operative relationship over the years, and the US has enormous economic interests in Hong Kong. Any unilateral change of policy or restrictions against Hong Kong by the US would affect the relations between the two sides as well as the US' own interests. This is unjustified and in nobody's interest.

While the US said it would change its policy towards Hong Kong, we need to examine its actual actions before we can assess the substance and the actual impact on the development of innovation and technology (I&T) in Hong Kong. In fact, in recent years, various I&T stakeholders in Hong Kong have been sourcing equipment and technology products from around the world or developing related products and technologies locally. We have also been promoting Hong Kong's technology enterprises in various overseas markets. Hence, the impact of any policies adopted by individual countries on Hong Kong's I&T development should be relatively limited. In regard to the InnoHK research clusters, after a rigorous selection and assessment process, we are following up with the institutions whose proposals are recommended for admission, with a view to having the first batch of R&D laboratories to be set up progressively in the Hong Kong Science Park this year. We will continue to keep in view the relevant development.

Under the prevailing tough and uncertain business environment caused by various factors (e.g. the COVID-19 epidemic), the Hong Kong Science and Technology Parks Corporation (HKSTPC) and Hong Kong Cyberport Management Company Limited (Cyberport) provided their tenants and start-ups with a 50 per cent rental concession for six months between October 1, 2019 and March 31, 2020. Subsequently, the Government provided full rental waiver under the Anti-Epidemic Fund for another six months between April 1 and September 30, 2020. HKSTPC and Cyberport have also provided additional subsidy for their incubatees during the period. Relevant incubatees/I&T tenants can also apply for funding under the Researcher Programme and Postdoctoral Hub of the Innovation and Technology Fund to hire up to two researchers and two postdoctoral talents to undertake research and development work. Besides, the Corporate Venture Fund of HKSTPC and the Cyberport Macro Fund of Cyberport co-invest, on a matching basis, with private funds in their tenants/incubatees. The above measures can provide relevant I&T companies with financial support to tide over the difficult period. The Government will closely monitor any development, and explore taking further measures to assist the I&T sector as and when appropriate.

Regardless of whether the US will impose restrictions against Hong Kong in the end, Invest Hong Kong will continue its efforts in all channels to proactively attract and assist overseas and Mainland companies and start-ups to set up or expand their businesses in Hong Kong, by leveraging Hong Kong's full range of advantages.

Hong Kong possesses a very strong foundation. With the current-term Government devoting over \$100 billion to I&T development, together with the massive Mainland market and opportunities derived from the Guangdong-Hong Kong-Macao Greater Bay Area development, we strongly believe that Hong Kong's I&T ecosystem can maintain its competitiveness in the long term.