

## LCQ4: International image and business environment of Hong Kong

Following is a question by the Hon Cheng Chung-tai (Hon Starry Lee to ask on his behalf) and a reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (October 23):

Question:

Earlier on, the legislative amendments concerning the surrender of fugitive offenders proposed by the Government have aroused concerns of the international community. The United States-China Economic and Security Review Commission of the United States (US), the European Union (EU) Office to Hong Kong and Macao and the diplomatic representatives of EU member states, as well as the International Chamber of Commerce-Hong Kong have raised objections one after another. They are worried about the safety of businessmen, journalists, rights and interests advocates and political activists in Hong Kong in the wake of the passage of the legislative amendments, and a deterioration of Hong Kong's freedom, level of the rule of law and the business environment. In addition, the US Government warned the Hong Kong Government in May this year not to allow an Iranian oil tanker to berth at Hong Kong or provide replenishment to that oil tanker. Also, quite a number of businessmen are worried about the international status of Hong Kong being shaken as a result of Hong Kong being caught in the crossfire of the trade war between China and the US. In this connection, will the Government inform this Council:

(1) whether it has assessed the impact of the aforesaid incidents on Hong Kong's international image, and of the counter measures to be adopted by the Government; and

(2) whether it has assessed if there will be an exodus of overseas enterprises and professionals from Hong Kong for worries of deterioration of the human rights situation and the business environment in Hong Kong; if it has assessed and the outcome is in the affirmative, of the counter measures; if the outcome is in the negative, the reasons for that?

Reply:

President,

Thank you the Hon Starry Lee. In the past four months, the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019 (the Bill) has caused controversy in the society. Hong Kong experienced many large and small-scale demonstrations, processions and rallies, many of which turned into violent incidents. Some of the radical acts of demonstrators, including blockage of the airport, vandalism of MTR facilities, and street violence, have definitely affected Hong Kong's

international image and raised concerns on whether Hong Kong is still a safe city. In fact, so far 40 countries have issued advice on travelling to Hong Kong.

Other than impairing Hong Kong's international image, the impact of the social conflict has spread to all business sectors. Among them, tourism, retail and catering industries bear the brunt. Business has plummeted and the sectors are facing unprecedentedly severe challenges. Take conventions, exhibitions and tourism events as an example. Recently, a number of large-scale outdoor events, including the Hong Kong Wine and Dine Festival and the Hong Kong Cyclothon, have been cancelled one after another. Fortunately, with careful arrangements by the organisers, most of the indoor conventions and exhibitions were held smoothly, and most of the exhibitors and buyers visited as planned for carrying out procurement activities in Hong Kong.

In addition to our internal problems, on the external environment front, as a result of the ongoing trade war between the Mainland and the United States, global economic growth has slowed down, bringing direct and indirect negative impact on Hong Kong economy.

Since July this year, there have been sharp reductions in visitor arrivals and retail sales, a continued decline in exports as well as deeply dampened business, investment and consumption sentiments. Certain industries have recorded the worst business performance recently. It is very likely that the Hong Kong economy has already slipped into a technical recession in the third quarter. In mid-August, the Government lowered the economic growth forecast for 2019 to 0.1 per cent.

Nevertheless, we have not yet seen any large-scale outflow of capital and talents. Hong Kong's institutional strengths and core competencies are still recognised by many international institutions. However, should demonstrations persist and escalate, it will have a longer-term impact on Hong Kong's business environment and make the subsequent recovery process more difficult.

The Government understands the pressure borne by small and medium enterprises and members of the public amid an economic downturn. We announced in August and September respectively two rounds of support measures for enterprises to safeguard jobs, for example, strengthening protection for exporters, assisting enterprises to diversify their developments, upgrade and restructure their business operations, and to develop new markets. To further support enterprises in coping with cashflow requirements, we have recently introduced an arrangement of principal moratorium of a maximum of 12 months, during which only interest payments have to be made. For the tourism industry, the Government, in conjunction with the Travel Industry Council of Hong Kong and the Hong Kong Tourism Board, rolled out last month various measures to support the trade in tackling the current economic difficulties, including fees and rental waiver, subsidy on professional training, etc.

Yesterday, the Financial Secretary further announced a new round of measures to support enterprises and safeguard jobs. The Government will

maintain close communication with the trade and introduce further support measures if necessary.

President, half an hour ago, I also announced, jointly with the Hong Kong Tourism Board and the Travel Industry Council of Hong Kong, a measure to support the tourism trade, which is to provide travel agents with incentive payments (based on the number of visitors/travellers they serve). We hope the measure can give timely assistance to the trade.

I once again call on the immediate cessation of protests and violent acts, and the community to return to rational dialogue. Once peace is restored, we will, in collaboration with the relevant organisations, chambers of commerce and professional bodies, devote more efforts and resources to carrying out promotional work and other measures to rebuild international confidence in Hong Kong.