

LCQ1: Grasping opportunities brought by Mainland's expanded domestic demand

Following is a question by the Hon Shiu Ka-fai and a reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (October 20):

Question:

In May last year, the Central Authorities put forward an economic development strategy of "dual circulation", i.e. the domestic internal circulation and the international external circulation, which includes expanding domestic demand and improving the policy on duty-free shops in cities. In order to fully unleash the consumption potential, the authorities of quite a number of Mainland cities (e.g. Guangzhou, Shenzhen, Shanghai and Beijing) have, one after another, put forward plans of developing their cities into international consumption centres and setting up duty-free shops in the cities. There are views that the Hong Kong Government should not only expeditiously agree with the Mainland authorities the arrangements for the resumption of normal traveller clearance between Hong Kong and the Mainland, but also assist Hong Kong retail industry in getting prepared so that the industry may fully grasp, upon the resumption of normal traveller clearance between the two places, the opportunities brought by the expanded domestic demand. The Government should also strive to maintain Hong Kong's advantages as an international consumption centre. In this connection, will the Government inform this Council:

(1) as it has been reported that Hong Kong may need to wait for four to five more months before normal traveller clearance with the Mainland can resume, whether the Government has explored how it may shorten the waiting time; if so, of the details; if not, the reasons for that;

(2) of the measures in place to assist Hong Kong retail industry in grasping the opportunities brought by the expanded domestic demand on the Mainland, and to maintain Hong Kong's advantages as an international consumption centre; and

(3) given that in reply to my question raised at the Question and Answer Session of this Council on July 15 this year, the Chief Executive undertook to request the Central Authorities to raise the duty-free ceiling on the total value of goods that a Mainland resident may buy in Hong Kong and bring back to the Mainland from the existing RMB 5,000 to RMB 100,000, which is on a par with the duty-free shopping quota for travellers departing Hainan, of the progress of the relevant work, and whether it expects that the relevant measure can be implemented in time immediately after the resumption of normal traveller clearance between the two places?

Reply:

President,

Thank you for the question raised by the Hon Shiu Ka-fai. Having consulted the relevant bureaux, my reply to the three parts of his question is set out below:

(1) The Government understands the importance of early resumption of normal cross-boundary activities with the Mainland, and has therefore been maintaining close communication and liaison with the Mainland on measures of joint prevention and control. The Government has been implementing stringent anti-epidemic measures on the one hand, while speeding up vaccination for members of the public on the other. At the same time, the Government has been actively exploring with the Mainland the resumption of normal cross-boundary activities between the two places in a gradual and orderly manner, premising on the epidemic situation in the two places under control and no additional public health risks to each other.

As we all know, at the end of last month, the Chief Secretary for Administration led the representatives of the Hong Kong Special Administrative Region to attend a liaison meeting on the anti-epidemic work of the Mainland and Hong Kong held in Shenzhen. The two sides will strive to hold a second meeting as soon as possible. The Government will report to the Legislative Council and members of the public should there be new progress on this front.

(2) Driven by our country's dual circulation development strategy, demand of and imports to the Mainland market are expected to grow continuously. In addition, the epidemic has expedited the development of e-commerce. In view of such development, the Government strives to support Hong Kong enterprises in developing the domestic sales market and meeting the needs of the Mainland market through both online and offline modes, with a view to extensively grasping the opportunities brought by the increase in domestic demand.

To this end, the Government has provided the Hong Kong Trade Development Council (HKTDC) with an additional subvention of \$375 million for developing virtual platforms to enhance its ability to organise online events and for digitalisation. The Guangdong-Hong Kong-Macao Greater Bay Area (GBA) is an ideal entry point to tap into the Mainland market. The HKTDC has launched in June this year a one-stop "GoGBA" digital platform and established the "HKTDC GBA Centre" in Shenzhen to provide Hong Kong enterprises with market information on the GBA, as well as business promotion and matching services. The HKTDC also plans to organise a major promotional event in both online and offline modes in Shenzhen in the coming months to help Hong Kong enterprises promote local specialty products.

As some Hong Kong enterprises may not be familiar with online sales in the Mainland, the HKTDC has launched a one-stop "ConsignEasy" service to help Hong Kong enterprises manage logistics, warehousing, taxation and other related matters, and promotes Hong Kong-designed products through its physical and online outlets of "Design Gallery" in the Mainland. The HKTDC has also established a "Transformation Sandbox" programme to help enterprises carry out digital transformation and devise online-offline marketing plans.

In addition, the Government will continue to encourage Hong Kong enterprises to actively participate in large-scale promotional activities on the Mainland. For example, some Hong Kong enterprises will participate in the fourth China International Import Expo to be held in Shanghai in early November.

(3) It is understood that according to the Hainan offshore duty-free shopping policies, travellers aged 16 or above who are departing from Hainan are eligible for a duty-free allowance of RMB 100,000 annually. The relevant allowance involves various restrictions including that it is only applicable to purchases made at designated duty-free shops or through approved online sales platforms; it is only applicable to 45 types of duty-free products and is subject to quantity limits; and travellers must pick up their purchases at designated locations.

The tax regime in Hong Kong is by nature different from that of Hainan as well as the overall regime of the Mainland. Hong Kong does not levy any Customs tariff on imports and exports. There is also no tariff quota, surcharge, value added tax and general services tax in Hong Kong.

As regards whether Hong Kong should seek from our country duty-free policies similar to that of Hainan, apart from national consideration based on the prevailing economic policies of different areas, Hong Kong should also carefully consider the proposal's impact on Hong Kong's overall economy as well as people's livelihood, and whether its implementation would bring any actual benefits. For example, whether only raising the ceiling of the duty-free allowance for Mainland inbound travellers' shopping activities in Hong Kong would lead to public concern in parallel trading activities as in the past.

In fact, as one of the premier tourism destinations for Mainland travellers, the attractiveness of Hong Kong is not solely established on selling consumer goods, but also on a host of various factors including quality service, diversified travel experiences, as well as the well-developed supporting facilities for tourism attractions. We believe that it is the common goal of different sectors to seek the overall travel spending of tourists in Hong Kong instead of Mainland travellers' spending on duty-free products only. In the future, complementing the planning of our country, the tourism development of Hong Kong will also enhance focus on providing more diversified and themed travel experiences.