



AmCham

The American Chamber of Commerce in Hong Kong  
Submission on the Chief Executive's Policy Address 2019

**REVIEW** communications and governance  
**RESTORE** business confidence  
**REBUILD** public-private partnerships

August 2019

Hong Kong is facing an unprecedented test of the “one country, two systems” framework introduced on the city’s return to Chinese rule in 1997. It is more important than ever for the government to understand public sentiment and expectations, execute and project Hong Kong’s distinctive autonomy, and to communicate with and engage the public on policy formation in a timely and effective manner.

AmCham believes that Hong Kong still stands apart from its rivals in the region due to a combination of competitive advantages, including the rule of law, individual freedoms and its deep pool of talent. While these remain intact for now, they can no longer be taken for granted.

Given the additional headwinds from US-China trade tensions and a global slowdown, adhering to a laissez-faire mindset will undermine Hong Kong’s unique position and long-term economic viability. AmCham feels the Hong Kong government should make a priority of strengthening its governance and working more closely with the private sector to reduce bureaucratic disconnects and the departmental, siloed mindset, as well as to **devise tangible measures** to restore business confidence and rebuild Hong Kong’s reputation as a global hub for trade and investment.

**AmCham calls for immediate and tangible measures:**

- **Review** governance style to include private sector’s input for effective policy formulation that meets Hong Kong’s economic development needs.
- **Restore** international and business confidence by acknowledging the pressing need for effective public communication strategies and stakeholder engagement.
- **Rebuild** and promote robust public-private partnership in policy initiation, formulation and execution, tapping private sector and community wisdom to address needs precisely and minimize red tape.

AmCham supports continued efforts by the government to meet its commitments to improve people’s livelihoods and enhance economic development; and encourages the government to continue to be innovative, interactive and collaborative for the remainder of its term.

**Our support is reflected in the collected views of our industry committees during this consultation exercise to help strengthen Hong Kong’s competitiveness. Detailed recommendations are listed in the Appendix.**

# APPENDIX - AMCHAM'S RECOMMENDATIONS

## OVERALL ASKS

### **Review communications and governance strategies**

Since 2016, AmCham has been calling for the government to make its communications and public engagement a top priority in order to meet the needs of business and the wider community in today's era of digital information. This call is more relevant and urgent than ever, with timely and sincere responses to issues now a baseline expectation of modern governance.

In her inaugural Policy Address, the Chief Executive outlined a new approach in which the government would act not only as a regulator, but also as a facilitator and promoter following the principles of being "innovative, interactive and collaborative."<sup>1</sup> AmCham would like to see this executed effectively and with meaningful outcomes that can help narrow the divide between the government and the people.

AmCham urges the government to reform its communications and governance strategies to demonstrate a "listen-in" attitude, in which the administration sees the community and private sector as the pulse of public sentiment. We recommend the government consider the following steps:

- Re-establish a think-tank, similar to the Central Policy Unit, that comprises experts from outside the civil service who can monitor and gauge public opinion and provide up-to-date advice to decision makers on public sentiment and expectations.
- Engage private firms in devising a holistic strategy for continuous stakeholder engagement and external communications, both within and outside of Hong Kong. Private communications firms receive first-hand insight from the public through their day-to-day operations, and can help bridge gaps in understanding and communication methodologies.
- Freshen and restructure the Executive Council by including younger members who can bring in the views of the future generation.

### **Restore international business and public confidence**

Hong Kong's reputation as one of the safest cities in the world has been hurt by recent events. The handling of the extradition bill also cast doubt on the implementation of the "one country, two systems" model. International business remains positive about Hong Kong's economic prospects and the fundamentals that crown the city as the world's freest economy and a leading international business hub. However, swift action is needed as companies have already begun to reconsider their exposure to Hong Kong.

Business leaders need policy certainty in order to make major and long-term decisions. The absence of proactive engagement by the government with companies and the public will further weaken business sentiment. AmCham urges the government to restore confidence through wider and deeper engagement with the business community and the public to understand where the real needs are. AmCham encourages the government to view business and citizens as their partners to improve governance through enhanced platforms for dialogue.

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<sup>1</sup> <https://www.info.gov.hk/gia/general/201710/11/P2017101100455.htm>

## **Rebuild and promote robust public-private partnerships in policy formulation and execution**

Hong Kong's success over many decades has been built on various forms of public-private partnerships (in utility services, infrastructure construction, etc). However, the growing public frustration displayed in recent incidents stems in part from an uneven distribution of wealth and share of resources. In view of this, AmCham suggests the government reform its fiscal philosophy to increase spending on public resources that can address some of the livability issues. Partnering with the private sector under a fair and competitive process would be a viable option to upgrade Hong Kong's technological applications, increase project standards and meet growing public expectations.

Many cities in the world are adopting a more bottom-up approach, inviting public participation and ownership in policy making to bring new ideas and energy into the process. This is especially so in green, sustainable and smart-living initiatives. Such a decentralized approach has successfully shown that governments can focus on what they are good at – funding, regulation and acting as a facilitator – and allow the community to come up with initiatives and policies through collective wisdom and strong public support.

AmCham encourages the government to adopt a more community-based approach toward smart-city development, explore new ideas based on the best practices of other smart and sustainable cities, and ride on the opportunities presented by Mainland China's green initiatives to re-invent Hong Kong's ecosystems for green growth and sustainable living.

AmCham suggests the following “low-hanging fruit” for consideration:

- **Increase access to data to drive R&D:** Copenhagen is partnering with companies on ways to monetize data sets used to create applications and other solutions for residents. For example, by joining with utility companies the Hong Kong government could obtain data to improve environmental management. Another example, to advance the city's biomedical research ambitions, the government should encourage the Hospital Authority, universities and other healthcare providers to provide anonymized data. In Hong Kong, only 12 private companies have uploaded their data to data.gov.hk. The government needs to encourage more businesses to do the same. Companies hold key information that can complement public-sector data and provide a more comprehensive picture.
- **Boost supply of public rental housing:** The need for housing remains high in Hong Kong – the world's least affordable property market. While the number of empty new flats recently reached a decade high, an eligible family waits 5.4 years on average for a public rental housing unit.<sup>2</sup> In view of this, AmCham's member companies look forward to partnering with the government with the following recommendations:
  1. In addition to the levy on vacant flats, Hong Kong could engage the private sector/developers in devising and subsidizing a public housing rental program to ease the shortage.
  2. Provide short-term measures of housing supply such as expansion within existing public housing areas, as well as local infrastructure and utilities improvement works.
  3. Better utilize the under-used public facilities and government land for building of “temporary interim housing” for qualified public housing applicants. More flexibility should be given in the implementation process, including approval and construction, such as use of prefabricated small flats, container flats, etc.

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<sup>2</sup> <https://www.housingauthority.gov.hk/en/about-us/publications-and-statistics/prh-applications-average-waiting-time/index.html>

## INDUSTRY RECOMMENDATIONS

### Financial Services

#### **Hong Kong's importance as a regional finance hub**

- AmCham recognizes Hong Kong's important role as a finance hub for Asia-Pacific and encourage the government to take steps to enhance Hong Kong's competitiveness with respect to other regional finance hubs.
- AmCham welcomes Hong Kong's prominence in the Greater Bay Area blueprint, released in February 2019, with particular interest in Hong Kong's role as the region's international finance and trade hub.<sup>3</sup>
- AmCham applauds the steps that the Hong Kong government continues to take to firmly establish Hong Kong as a green finance hub for the region. Significant milestones in the past year include:
  - May 2019: Successful offering of US\$1 billion inaugural green bond, which also sets an important new benchmark for potential issuers in Hong Kong and the region.
  - May 2019: HKEX's proposed revised regulations to support and improve listed companies' governance and disclosure of ESG activities and metrics.
  - April 2019: HKSFC's industry-wide survey to better understand asset managers' practice with integrating ESG factors when investing, as well as new circular for better guidance to prevent green-washing of funds.
  - September 2018: Establishment of the Hong Kong Green Finance Association as a formal channel to gather industry experts and provide policy suggestions to the government.
- AmCham recommends that the Hong Kong government work in close association with both the mainland authorities and international standard setters to create a truly global green finance taxonomy.
- AmCham strongly urges the Hong Kong government to take positive steps to develop and sustain an open, meritocratic, and fair labor market through increased training and education, labor protections, immigration reform, and the introduction of anti-discrimination statutes.

#### **Financial technology innovation**

- We welcome the Hong Kong government's bold initiative to promote Fintech experimentation by giving out eight virtual bank licenses. We look forward to how this new mode of operation could help promote financial inclusion and innovation in Hong Kong.
- We applaud the Hong Kong government's efforts to promote the free movement of data in accordance with international best practices.
- We encourage Hong Kong to play a more active role in regional fora focused on data mobility, security, standards and privacy, which may also help build trust among consumers – 71 percent of Hong Kong consumers are skeptical of the role of privacy and security in the open banking marketplace, according to a recent survey from Accenture.<sup>4</sup>
- We encourage the establishment of a single government window for supporting innovative firms, to help streamline the rules, regulations and incentives relevant to innovators (ie: unifying the work of InvestHK, Companies Registry, HKMA, SFC, and IA).
- We encourage the development of a coherent regime across regulated spaces – banking, insurance, and securities – that fosters innovation, whilst protecting the public's interests and promoting fair competition for all market participants, upstarts and incumbents alike.

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<sup>3</sup> The Economist Intelligence Unit. "The Greater Bay Area: the shape of things to come?" 12 March 2019.

<sup>4</sup> Accenture Consulting. "The Time is Now." July 2019.

- We encourage continued cooperation regarding innovation and technology developments throughout the GBA. We seek the promotion and full support of financial services and payments competition and market access.
- Cross border data transfers are vital for financial services firms to complete AML/KYC checks, to comply with UN and country sanctions and to increase cyber resilience. We therefore welcome moves by the Privacy Commissioner for Personal Data (PCPD) to consider implementation of section 33 of the Personal Data Protection Ordinance (PDPO). This would formally permit data transfers to jurisdictions with substantially similar provisions to the PDPO and be a useful additional mechanism for data transfers outside of Hong Kong.
- We further encourage the Privacy Commissioner for Personal Data (PCPD) to establish a formal mechanism for information sharing and discussion with the primary regulators of financial institutions (HKMA, SFC, IA, etc) to ensure the capacity and expertise required to effectively supervise authorized institutions on the quickly evolving landscape for data privacy and cross border data flows. This collaborative approach will help to ensure that both the PCPD and the financial regulators more effectively target and tack current and future privacy issues affecting the banking sector. Additionally, the pooling of resources and information will support the government's efforts to keep current on developments and new innovation like artificial intelligence and cloud technology as they become more widely utilized by the industry.

#### **Integration with Mainland financial markets**

- We support continued efforts to perfect the Stock Connect, Bond Connect, and Mutual Recognition of Funds programs, and are prepared to offer our significant expertise to help with their ongoing development.
- We eagerly await the introduction of mechanisms for further integration of Hong Kong and Mainland financial markets, such as possible IPO Connect and ETF Connect platforms. We strongly recommend significant consultation with international market participants in Hong Kong regarding global best practices to mitigate potential risks.
- To best leverage international expertise for financial market development, we encourage allowing significant time for industry consultations and opening the consultation processes to a wider variety of stakeholders to ensure the best outcomes.

#### **Cyber resilience**

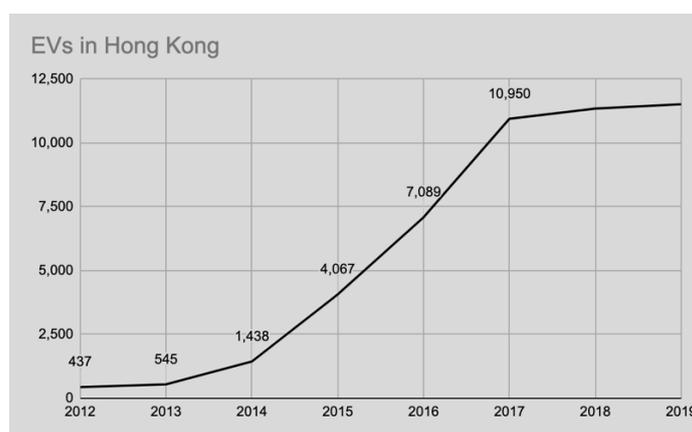
- We encourage the development of a harmonized cyber resilience policy for the financial services industry across supervisory frameworks (including HKMA, SFC, and IA) to prevent conflicting or unclear expectations; avoid regulatory fragmentation; and foster knowledge sharing among the Hong Kong supervisory community.
- We encourage the government to promote inter-operability across international cyber resilience regimes, including through the adoption of common terminology (such as the FSB Cyber Lexicon) and the exchange of international best practices.
- We recommend incorporating periodic industry-wide table-top exercises inclusive of all relevant stakeholders (including industry, HKFSBCM, HKCERT, OGCIO, HKPF, and financial regulators) in the Cyber Incident Response Plan for financial services, with sufficient resources and ample notice, to help firms better understand their responsibilities in case of an incident and mitigate the risk of ex-post sanctions.

#### **Environment & sustainability**

- **Decarbonization:** The Council for Sustainable Development is conducting a public engagement exercise on decarbonizing Hong Kong over the next 30 years. The chamber supports this initiative as an important step for our city. Climate change is an issue affecting all major cities and Hong Kong must do its part. We call upon the government to support the outcomes from this exercise and to set ambitious but realistic targets for decarbonization across the economy. It will be important for

businesses to have sufficient time to plan for and adjust to new policies, which must safeguard competitiveness and ensure a level playing field. We would welcome the opportunity to engage with government as it determines what level of carbon-emissions reduction is appropriate for Hong Kong and how this might be done.

- **Electrification of transport sector:** Linked to this issue is the need to speed up the electrification of road transportation as this contributes to about 20 percent of today's CO<sub>2</sub> emissions<sup>5</sup> and more than a quarter of total air emissions recorded in Hong Kong<sup>6</sup>, the latter being especially dangerous for health as emissions are worst at pedestrian height. Figures released by the Transport Department in show sales of electric vehicles have stalled since the government's changes to the First Registration Tax in 2017 and are at their slowest pace in five years. Overseas comparisons show a rapid increase, so we ask the administration to (i) rapidly reintroduce new incentives and (ii) set a date in the 2030s for the banning of sales of new internal combustion engines vehicles, in line with those being introduced in Europe. On the issue of roadside air quality, we strongly suggest Hong Kong replicate the extensive air-quality monitoring network that London has in place; it publishes emissions data sets at a grid resolution of one square kilometer.<sup>7</sup> Hong Kong has only 16 air-quality monitoring stations, only a small proportion of which measure pollutants at pedestrian level. Improving health outcomes for residents, with public measurement through the Hedley Index or similar, should be a clear priority for the administration.



- **Greater Bay Area:** The chamber welcomes the release of the Greater Bay Area Outline Development Plan and the many new references to the creation of a quality living area in the GBA, together with specific initiatives to strengthen environmental protection and management. This is a particular concern for Hong Kong, being so close to one of world's major manufacturing centers. In particular, we welcome moves to improve air quality across the PRD area, which has seen falling concentrations of SO<sub>2</sub>, NO<sub>2</sub> and PM10 over the past decade.<sup>8</sup> However, ozone, which can increase a person's susceptibility to respiratory diseases and aggravate conditions such as asthma, has been increasing. The government is requested to urgently liaise with cities across the border to reduce precursor pollutants and to make ozone reduction a centerpiece of the detailed planning for quality living in the GBA.

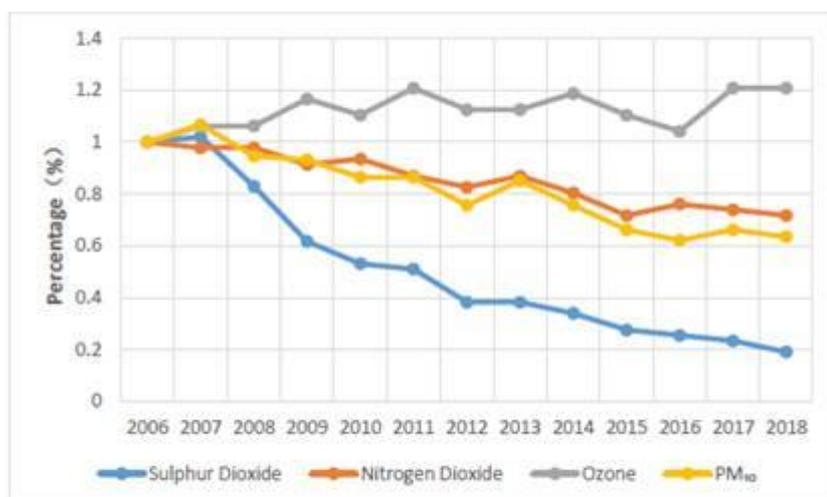
<sup>5</sup> [https://www.climate.gov.hk/files/pdf/HKGGHG\\_Sectors\\_2016.pdf](https://www.climate.gov.hk/files/pdf/HKGGHG_Sectors_2016.pdf)

<sup>6</sup> [https://www.epd.gov.hk/epd/english/environmentinhk/air/data/emission\\_inve.html](https://www.epd.gov.hk/epd/english/environmentinhk/air/data/emission_inve.html)

<sup>7</sup> <https://data.london.gov.uk/dataset/london-atmospheric-emissions-inventory--laei--2016>

<sup>8</sup>

[https://www.epd.gov.hk/epd/sites/default/files/epd/english/resources\\_pub/publications/files/PRD\\_2018\\_report\\_en.pdf](https://www.epd.gov.hk/epd/sites/default/files/epd/english/resources_pub/publications/files/PRD_2018_report_en.pdf)



**Figure 12 : Trend of rates of changes in pollutant's annual averages in the monitoring network**

- Water:** Hong Kong's water consumption is double the world average, with up to 80 percent of our needs imported at great cost from Guangdong. Despite that, more than 30 percent of fresh water went unmetered from 2006-16 due to mains pipe leakages, unauthorized consumption and inaccurate metering, according to the most recent data available.<sup>9</sup> The Hong Kong Ombudsman's office found that the water lost through government mains each year could meet the demands of about 2 million people. Water prices are extremely low, having not been updated in almost 25 years. There seems to be a lack of will to improve collection and publication of data, or to impose target setting to address these issues. If there was ever a government service that would benefit from privatization, this is it. We call upon the administration to conduct a root and branch review of operations, targets and costs (which are not recovered by income from water charges) with a view to publicly addressing these issues.

### **Education & the future of work**

- STEM education for girls:** AmCham supports the government's focus on STEM education, which is key to ensuring men and women have access to desirable and lucrative job opportunities. An educated workforce with diverse STEM-related skills is also crucial for Hong Kong's Smart City initiatives and to the city's competitive edge as a center of innovation within the Greater Bay Area. However, girls continue to have lower representation in STEM subjects in secondary school, and just 35 percent of girls pursue further STEM education. AmCham urges the government to identify and address barriers to entry for girls, such as unconscious bias, in order to ensure those who display an interest and aptitude for these subjects pursue them enthusiastically, strengthening Hong Kong's workforce in the medium and long term.
- Enhance computational thinking in primary and secondary school curricula:** The government should continue to provide dedicated resources for schools on STEM education (e.g. IT Innovation Labs in Secondary Schools implemented by OGCIO) and encourage schools to incorporate digital skills education (e.g. coding and computational thinking, AI) into their core curriculum. It will also be useful to set up more platforms for schools to share their experiences and best practices with each other.

<sup>9</sup> <https://civic-exchange.org/report/conservation-and-consumption-towards-a-water-smart-hong-kong/>

- **Fostering creativity and critical thinking:** Hong Kong education has long been criticized for promoting rote memorization. The Government has recognized this and has taken key steps to advance the issue, such as through curriculum renewal. However, barriers still exist, as an Economist Intelligence Unit study demonstrated when it ranked Hong Kong 14<sup>th</sup> in education.<sup>10</sup> For example, implicit in the promise to renew STEM curricula is a rigid distinction between STEM and other disciplines. If Hong Kong wants to realize its smart city goals, it will do so only on the backs of a labor force unbridled by stringent boundaries. AmCham makes some recommendations to this end:
- **Renew *all* curricula to incorporate STEM as a way of thinking.** STEM is not just an esoteric assortment of subjects consisting of biology, mathematics, computer science, etc. It has the power to transform all disciplines. Lawyers have started using AI to sift through relevant documents for cases. Designers and architects make technology green, welcoming, and aesthetically pleasing for consumers. STEM methods are essential to prepare students for *all* careers in the coming decades. Schools should thus introduce technological approaches in the arts and social sciences early on to foster a truly interdisciplinary way of thinking and to expose them to new possibilities within their fields of interest. Incorporating STEM into other disciplines will allow Hong Kong to move further ahead in its traditional comparative advantages in finance and law *alongside* the proliferation of tech industries.
- **Expansion of internship programs in China:** AmCham encourages the government to expand internship programs in China for college students in the summer months. There is no better way to help Hong Kong's youth understand China in a constructive way through working with their Chinese counterparts for three months. AmCham and other chambers can collaborate to mobilize MNCs to offer such internships (which might be financed by the HKSAR in terms of living stipends etc.) as a tangible solution to narrow the business-cultural gap between Hong Kong and the mainland.
- **Continue and enhance funding support for various on-job training programs, such as the Continuing Education Fund or Reindustrialization Training Program:** these funding programs can encourage workers to take the opportunity to expand their skill sets and familiarize themselves with new technologies

## Trade & investment

### Trade policy

- In general, AmCham would like to see the government continue to promote Hong Kong as a regional trade hub in every available way including, but not limited to, signing more trade agreements. The multilateral trading system is under attack from a variety of angles and AmCham urges Hong Kong to be a beacon of support for global free trade and multilateralism. AmCham welcomes Hong Kong's recent signing of Free Trade Agreements with ASEAN, the Maldives, Georgia and Australia. AmCham believes that Hong Kong should now pursue being included in the Regional Comprehensive Economic Partnership negotiations and explore acceding to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, both of which would help to cement Hong Kong's position. AmCham would like to see Hong Kong become an even more vocal and autonomous participant in global and regional discussions around trade in services and goods as well as related matters such as data governance.

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<sup>10</sup> Hollingsworth, Julia. "Hong Kong not equipping students for the future as well as Singapore or South Korea, study says."

## **Financial crimes & money laundering**

- It has been well documented that the global financial system has been compromised and misused by transnational criminal organizations to launder funds from illicit trade, tax evasion, smuggling, and human trafficking.
- The Financial Action Task Force/Asia Pacific Group on Money Laundering (FATF/APG) in August 2018 published an updated report, Financial Flows from Human Trafficking, which stressed the importance of understanding the financial flows associated with human trafficking as a money laundering predicate and potential source of terrorist financing. The report identified that proceeds from various categories of human trafficking – such as forced labor, sexual exploitation, and removal of organs – were realized in different ways required different laundering mechanisms.
- The FATF/APG recommended two good practices: (1) assess the diverse money laundering risks from human trafficking, and share with stakeholders for clear understanding, and (2) leverage expertise, capabilities, and information through partnership among the public sector, private sector, and civil society.
- AmCham acknowledges the significant efforts taken by the government to address modern slavery issues as reflected by the upgrade of status to Tier 2 in the US State Department's Trafficking Report published in June 2019. That said, AmCham urges the government to enact a comprehensive modern slavery law, as exemplified by the proposed Crimes (Amendment) (Modern Slavery) Bill 2019, to ensure blanket criminalization of all forms of trafficking in a single ordinance.
- Moreover, in the context of Hong Kong being an international financial center, AmCham recommends Hong Kong to take the lead to include provisions on enforcements against illicit financial flows from human trafficking within its strong legal and institutional framework for combating money laundering and terrorist financing.

## **E-commerce & digital trade**

- Small and medium-sized businesses (SMBs) and start-ups are the backbone of the Hong Kong economy. AmCham applauds the host of measures and funds provided by the Trade and Investment Department to support SMBs. To that end, AmCham is working with a team of technology, financial services, and professional service providers to design a digital trade toolkit to facilitate the digitization of SMBs, and to open up opportunities for SMBs to tap markets such as the GBA and Asia Pacific. AmCham welcomes the Hong Kong Government to explore collaboration opportunities on this front.

## **Trade & logistics**

- While the GBA integration has presented tremendous economic opportunities through enhanced connectivity in supply chains and logistics, organized criminal groups tend to take advantage of the efficiency and exploit loopholes to smuggle illicit commodities across borders. Indeed, the opening of the Hong Kong-Zhuhai-Macau Bridge presents new challenges. AmCham therefore, urges the Customs and Excise Department to work closely with both the China and Macau Customs to tackle illicit trade flows at control points and borders. Key cities within the GBA should work together to exchange intelligence, share best practices, run public awareness campaigns, and deploy joint enforcement measures.

- Moreover, while Hong Kong's transshipment volume has declined over the years, the Hong Kong Sea Port Alliance commenced on April 1 this year is an important initiative to transform and maximize port services through the application of new automation technologies. AmCham further recommends that the government takes a proactive stance to call out illicit trade in Free Trade Zones in the region. Notably, loose control and governance by authorities have led to abuses by organized criminal networks for smuggling of counterfeit and pirated goods, and trade-based money laundering. The government should work proactively with its counterparts in, Ningbo, Shanghai, Shenzhen, and Singapore to mitigate risks and address the problems strategically.
- In addition, AmCham supports the government's original position to regulate e-cigarettes and other new tobacco products. We fully agree with and support the Hong Kong government in protecting public health, particularly in prohibiting youth access to any tobacco products. On April 30, 2019, the US Food and Drug Administration (FDA) announced that it had authorized the sale of a "heat-not-burn" tobacco product and determined that the decision was appropriate for the protection of public health. The FDA's review looked at how the products may impact youth use of nicotine and tobacco, and the potential for the products to completely move adult smokers away from use of combustible cigarettes. We believe that with the right differentiated regulation and strong enforcement on these alternative products coupled with strengthened education as opposed to a total ban, the administration can achieve its objective to protect public health.

### **Intellectual property**

- Given Hong Kong's world class intellectual property rights protection and enforcement regime, AmCham has submitted to the administration on a number of occasions recommending the establishment of an Intellectual Property Rights Center of Excellence (IPRC) in the GBA. Such a center would have a threefold focus for promoting IPR best practices: capacity building, combating technological know-how and patent violations, and enforcement.
- The success of the IPRC hinges upon strong collaboration and connections among GBA cities. AmCham reiterates its recommendation that the Hong Kong-led IPRC be co-chaired by the Guangdong government to enhance collaboration.
- AmCham is committed to working with Chinese, US, and international brand owners and companies as well as relevant government bureaus, departments, and law enforcement agencies in Guangdong, Hong Kong and Macau to foster the investigative and legal ecosystem of service providers and analysts. We will continue to garner support from stakeholders, and to provide thought leadership and strategic advice to set up the one-stop shop for a strong legislative, regulatory, and enforcement environment for IPR protection.

### **Innovation & technology**

#### **Enhance Hong Kong's regional smart city hub status**

- AmCham recommends the government prioritize and drive technology adoption to enhance Hong Kong's competitiveness in the Greater Bay Area and the Asia Pacific region. Favorable policies, legislation and regulatory frameworks are essential to foster research and development of new and emerging technologies. AmCham recommends the following:
  1. Step up its efforts in articulating Hong Kong's unique strengths, including championing intellectual property protection and the city's well-established

infrastructure such as a free and open internet to facilitate the exchange of ideas. There should also be more platforms and opportunities for Hong Kong businesses to be involved in the discussion and planning of GBA development.

2. Continue to maintain a free and open internet. The maintenance and expansion of infrastructure, with particular attention to a free and open internet, is a foundation for a smart city and Hong Kong's aspiration to be an international data hub.
3. Further expand and streamline the application for programs such as the Technology Voucher Programme to encourage the adoption of scalable and streamlined digital solutions such as off-premise cloud services
4. Provide further grants and digital training initiatives specifically-tailored for SMBs, which can help upskill small business owners
5. Revamp its procurement process for digital procurement. There should be more flexibility for adjusting the cost and other parameters throughout the life of the procurement cycle. An agile and end-user-focused procurement process would allow the government to use its fiscal strength to stimulate a smarter digital ecosystem.
6. Build a talent pipeline for Hong Kong, particularly tech and data analytics talent. In addition to developing a local talent pool, the government can look abroad to attract international tech professionals to Hong Kong.
7. Continue and enhance funding support for various on-job training programs, such as the Continuing Education Fund or Reindustrialization Training Program. These funding programs can encourage workers to take the opportunity to expand their skill sets and familiarize themselves with new technologies
8. Further facilitate open data across the public and private sectors. For example, Stage Two of the Electronic Health Record Sharing System will support a broader scope of data sharing to make a real difference for patients and how they manage their healthcare experience. This model could be applied across other categories including transport and energy usage to drive innovation and help policymakers and businesses make more informed decisions.

### **Making Hong Kong a stronger innovation & technology hub for biotechnology development**

- AmCham wishes Hong Kong to become an international innovation and technology hub and fully supports the government's initiatives and programs to engage in the area of biotechnology (for example, the Hong Kong Science & Technology Parks incubation programs; Technology Talent Admission Scheme). AmCham believes that Hong Kong should aim at becoming an even stronger regional innovation platform for BioTech, HealthTech and InsurTech companies.
- With that in mind, AmCham encourages the government to:
  1. Inject more funding into research and development;
  2. Make additional grants and funding support to BioTech, HealthTech and InsurTech start-ups;
  3. Create programs through which HealthTech companies can directly work with the local healthcare industry -- which in turn can benefit the city's population;
  4. Encourage and supporting Science, Technology, Engineering and Math (STEM) education in all schools and universities through national competitions. AmCham believes this is a creative way to discover and push new talent among the younger generation.

## Law

### **Financial Action Task Force 2019 Mutual Evaluation Report of Hong Kong**

- As a leading international financial center, the safety and soundness of the financial system in Hong Kong is critical for the commercial, economic, political and social development of the city and the functioning of the global financial system. Maintaining an effective anti-money laundering and counter-financing of terrorism regime (AML/CFT regime) reflective of international standards and norms is one crucial pillar of a financial system that inspires investor, international and commercial confidence.
- AmCham welcomes the recent news that the Financial Action Task Force has assessed Hong Kong's system to be compliant and effective overall and agrees that Hong Kong has a strong and sophisticated legal and institutional AML/CFT framework. This does not mean, of course, that Hong Kong is no longer subject to sophisticated and challenging money laundering and terrorist financing risks. Nor does it mean that FATF's overall effectiveness score reflects only praise for Hong Kong's regime.
- When the FATF Mutual Evaluation of Hong Kong is released – expected to be in September 2019 -- that will likely identify a number of areas for improvement. Revisions to Hong Kong's extradition arrangements with Taiwan and Mainland China may be among the recommendations, as they were in 2008. In the 2008 Mutual Evaluation Report, while FATF praised the Fugitive Offenders Ordinance (FOO) and Hong Kong's extradition arrangements, it identified the lack of a mechanism to enable Hong Kong to extradite to and seek extradition from Macau and Mainland China to be “the most significant deficit in Hong Kong's extradition arrangements.” FATF further supported the Hong Kong government's intention to “conclude formal arrangements for extradition between Hong Kong, Macau, and Mainland China,” and identified such intention as a “matter of priority.”
- A recommendation around extradition may be one among many made by FATF in the forthcoming report. Some of these recommendations may be expected to have a greater impact on the overall effectiveness of Hong Kong's AML/CFT regime (for example, as highlighted in the Outcomes FATF Plenary, June 16-21 this year, strengthening supervision of some sectors and focusing on AML/CFT implementation at smaller institutions may be viewed as higher priorities generally and by FATF). Taking steps to prioritize and address FATF recommendations and cohere with international norms is a crucial part of an effective AML/CFT regime.
- It is equally crucial to ensure that adjustments and revisions to the current AML/CFT regime, including the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, FOO and Mutual Legal Assistance in Criminal Matters Ordinance, are subject to a robust principles-based review, public debate and consultation. FATF recommendations that become law, become law that governs and affects businesses and individuals of Hong Kong, and all aspects and potential impacts of a legal change should be critically assessed. Engaging in a principles-based review, public debate and consultation process will help to ensure that proposed changes are reasonable and risk-based, balanced against a broad range of the Hong Kong public's interests, rights and priorities, considered legitimate, and avoid pitfalls and unintended consequences, including consequences that extend beyond Hong Kong's AML/CFT regime and impact the broader public.
- AmCham supports efforts to enhance Hong Kong's AML/CFT regime and maintain the city's status as a trusted international financial center. Fulfilling FATF recommendations is one important way to secure that status, as is ensuring the

safety and stability of Hong Kong and “one country, two systems.” Adopting a process that is responsive to public interests can help balance coherence with international norms with the stability of Hong Kong and the political values and rights expressed in the Basic Law.

### **Attracting and retaining legal talent**

- Hong Kong continues to be rated the world’s freest economy by the Heritage Foundation’s Index of Economic Freedom. One reason for this ranking is the robust legal system that supports protection of property rights and the rule of law. A high-quality legal system is reflective of many elements, including a deep bench of high-quality lawyers who provide advice and services in Hong Kong. It is critically important to continue to invest in and develop legal talent in Hong Kong.
- This is and should continue to be an effort that recruits and develops both local and international legal talent. Hong Kong requires a deep pool of sophisticated local legal talent, with the skills and judgment to provide sound and innovative legal advice on Hong Kong law.
- Hong Kong is also an international financial center, with businesses that operate in and are subject to the laws of a number of jurisdictions, in the Asia Pacific region and globally. While the world is globally connected, individuals and businesses continue to value legal advice and services that are delivered locally and in-person both by in-house and external counsel. By being the freest economy and one of the most open places to do business, Hong Kong has been able to recruit international legal talent, which is valued by the businesses that operate here. This recruitment and development of international legal talent should be continued, encouraged and further developed.
- The presence and development of international law firms and legal talent in Hong Kong also benefits local Hong Kong lawyers. Those law firms and lawyers provide opportunities for local lawyers to learn about foreign law and international norms and gain enriching experiences in other jurisdictions, which they bring back to Hong Kong to the further benefit of the Hong Kong legal profession and businesses.
- AmCham understands that concerns have been raised about non-qualified foreign lawyers practicing Hong Kong law, and supports efforts to address these concerns. These efforts should, however, be balanced and consistent with Hong Kong’s identity as a free and open economy that both welcomes foreign talent and develops local talent. Efforts, such as the Law Society’s 2018 proposal to amend the Foreign Lawyers Registration Rules, should be carefully considered as they may be impractical and the benefits may outweigh the long-term needs of the entire legal profession of Hong Kong and the needs of multinational businesses that choose to base themselves and operate in Hong Kong.

### **Healthcare & Insurance**

#### **Improving primary care communication between private and public health sectors:**

- In Hong Kong, 90 percent of inpatient care and 40 percent of outpatient care occur in the public sector, resulting in an overstretched public healthcare system. AmCham acknowledges the continuing efforts of the Hospital Authority to restore the public-private balance. By example, the recent General Outpatient Clinic Public-Private Partnership Programme has improved patient trust in the private sector by setting aside the deterrent effect of private costs. Moreover, through the electronic Health Record Sharing System (eHRSS), the program also allows efficient and trusted communication of medical data, particularly when patients seek care in both public

and private sectors.

- AmCham proposes the government moves to further enhance this initiative and to consider innovative ways to relieve the high demand seen in public specialist outpatient clinics. Many patients attend these clinics to receive simple repeat prescriptions that do not utilize doctor specialist resources effectively.

#### **Introduction of a limited number of “ePharmacy licenses”:**

- Such ePharmacy licensees could fulfil the issuance and filling of repeat prescriptions based on the evaluation of key criteria predetermined by specialists, including potentially procuring medications at a lower cost and delivering these to patients at their home or place of work. This initiative would:
  1. Reduce the frequency of attendance of long-term patients at specialist outpatient clinics;
  2. Lower the cost of delivering care to this significant-sized patient group;
  3. Free up resources (thus effectively increasing the capacity) of the specialist outpatient clinics.
- Tendering for the ePharmacy licenses could be based on the established protocols laid down by the government in the implementation of the recently issued eBanking licenses, and licensee performance may be monitored by measuring appropriate key performance indicators. Furthermore, an ePharmacy initiative is consistent with and would give the government an early and easy win on achieving its goal to make Hong Kong a Smart City.

#### **Improving healthcare resources in Hong Kong**

- The Hong Kong healthcare sector is facing a severe manpower shortage and AmCham fully supports the government’s efforts to actively improve the doctor shortfall.
- Recommendation: AmCham urges the government to encourage self-regulatory bodies to take into account the specificities of foreign-trained health practitioners in the approval process to enable them to engage in private practice in Hong Kong, thus positively addressing the manpower issue. This should apply both to medical doctors and other allied health practitioners such as clinical psychologists.

#### **Improving access to innovative therapies**

- To improve patient access to and affordability of innovative therapies, AmCham recommends:
  1. The Hospital Authority increase transparency of the approval process for innovative therapies, increase the number of innovative therapies approved, reduce the time taken for approvals, make more of the costly therapies available for subsidy, and in the long run explore funding source to match optimum patient treatment with financial support.
  2. The Hospital Authority should authorize that innovative therapies that do not qualify for subsidy support be made available for self-pay to enable patients to access the most advanced treatments through the public sector. More choices and explanations should be available to patients who can afford self-finance items.

- This will help to ensure that the Hong Kong public healthcare system remains at the forefront of innovation in care, and will reflect positively in internationally published epidemiological data as improved outcomes materialize.

### **Fast-track new oncology, rare-disease drugs**

- In light of the development of Greater Bay Area healthcare partnerships and China's recent introduction of a fast-track new product approval procedure, especially for drugs used to treat cancer and rare diseases, AmCham feels a review is needed of Hong Kong's approval system for life threatening diseases on top of existing fast track for drugs to combat infectious diseases.
- AmCham urges the Health Bureau to adopt single-Certificate of Pharmaceutical Product review of oncology and rare-disease drugs. Without compromising the efficacy and safety of new drugs, a more flexible single-CPP to start the review and another CPP (if needed) at the end of the process is recommended to provide patients the fastest access to critical treatments.
- As Asia's World City, Hong Kong should take reference to recent developments in the region to adopt a speedy and flexible new drug registration system for critical medical conditions.

### **Female leadership & gender equity**

We would like to acknowledge Carrie Lam's continued leadership as the city's first female Chief Executive.

- **Extension of maternity leave:** AmCham applauds the government's commitment to extend maternity leave from 10 to 14 weeks, which has already been implemented for government employees. AmCham encourages the government to implement this new policy as soon as possible and monitor the impact over time. This will also enable Hong Kong to meet the minimum recommended maternity leave advised by the International Labour Organization.
- **Extension of paternity leave:** AmCham also encourages the government to extend paternity leave beyond the proposed five days. Men, women and children benefit when fathers can bond with their children during an extended paternity leave. In addition, encouraging men to partake in the caregiving and housekeeping activities supports gender equity at home and in the workforce.
- **Gender diversity in board leadership:** AmCham encourages the government to continue to promote gender equity in the boardroom, as the representation of women on boards continues to hover around 13 percent despite the well-documented benefits of diversity. Further, AmCham encourages the government to develop and implement policies aimed at keeping women in the workforce. As the Chief Executive noted in her policy address last year, more women than men are receiving higher education, yet they remain underrepresented in the workforce and among senior leadership. Indeed, 30 percent of working women drop out of the workforce due to their responsibilities as caregivers, and just 29 percent of management positions in Hong Kong are held by women. Without a strong pipeline of women in the workforce, they will continue to be underrepresented at senior levels and on boards.
- **Closing the gender pay gap:** AmCham strongly urges the government to prioritize efforts to close the gender pay gap in Hong Kong (currently at 22 percent). For example, the Women's Commission should focus efforts on examining the causes of persistent and longstanding gender pay equity issues and develop recommendations to address this issue. A lack of women in senior positions is often cited as a reason

for gender pay inequity, including by the Equal Opportunities Commission. Seventy percent of women cite a lack of upward mobility as a reason for leaving their jobs. AmCham encourages the government to develop policy solutions to this issue, including requiring companies to publish their gender pay and diversity data on an annual basis.