

For discussion on
10 June 2002

Legislative Council Panel on Commerce and Industry

Improving the Business Environment

Purpose

This paper explains the role of the Government as a proactive market enabler, and outlines some of the work of the Government in undertaking this role.

Economic role of Government

2. In his 2002 Budget Speech, the Financial Secretary described the Government's role in the economy in the following terms –

“The Government should have a clear vision of the direction of economic development and be a proactive market enabler.”

3. Contrary to misconceptions in some quarters, this description does not signify a change in the Government's economic role per se. It is simply a more accurate reflection of what the Government has been practising for some decades. It does not augur a new policy of picking winners or directly subsidising specific industries, or intervening in business decisions which are best left to businessmen themselves. The Government continues to uphold its long-standing free-market philosophy.

Direction of economic development

4. Since Hong Kong's costs are higher than those of its neighbours, our low-skilled and labour-intensive industries (manufacturing and to some extent services) are no longer competitive. We can no longer rely on them to provide the impetus for economic development. Instead, we must focus on high-value-added economic activities. While such

activities exist in every economic sector, four sectors are particularly important because of their role in fostering the development of other sectors and in creating employment. These are financial services, logistics, tourism, and producer and professional services.

5. In the development of higher value-added economic activities, Hong Kong faces three challenges. First, we need to deliver products and services with quality, speed and creativity. Second, we need to nurture local talents and attract more outside talents. Third, we need to improve the flows of people, goods, capital, information and services between Hong Kong and the Mainland to leverage the enormous potential on the Mainland

6. Apart from the more externally-oriented economic sectors mentioned above, developing the local community economy is important as it will promote domestic consumption, create employment and highlight Hong Kong's unique characteristics.

Proactive market enabler

7. There are five major aspects in the Government's role as a proactive market enabler. These are set out below together with some examples of the Government's work in the relevant areas.

(A) Maintaining a business-friendly institutional framework

8. We will uphold the rule of law, a low and simple tax system, a level playing field, and good law and order. We will review regulations for different economic activities periodically to ensure that they remain user-friendly, effective and up-to-date. We will carefully assess the impact of any new regulations on the business sector before they are introduced.

9. For example, in the financial services sector, we are simplifying procedures for retail bond issues, and reviewing issuance and listing fees for derivatives. The recently enacted Securities and Futures Ordinance will introduce a series of measures to streamline the licensing system for intermediaries, increase market transparency, foster a level playing field,

and facilitate product innovation. For the logistics sector, we are re-engineering customs procedures to speed up cargo clearance. We are also reviewing the import and export licensing requirements for transshipment cargo with a view to streamlining them. For the tourism sector, the quota system for Mainland visitors under the Hong Kong Group Tour Scheme has been abolished, and an arrangement has been introduced for the speedy issue of entry permits using the Internet to Taiwan visitors. We will continue to develop initiatives to ease the flow of people, goods and capital between Hong Kong and the Mainland.

10. Under the Helping Business Programme, we have been launching initiatives¹ to cut government red tape, streamline licensing procedures and improve services to the business community. For example, we seek to set up 'one-stop' licensing arrangements as far as possible. Transport Department and Environmental Protection Department are each undertaking a comprehensive departmental business study to identify areas for improving their services to the business community.

(B) Providing necessary support infrastructure

11. Over the years, we have developed an excellent transport infrastructure to support Hong Kong as a major trading and logistics hub in the region. We will continue to invest heavily in strengthening our transport links with the Pearl River Delta to foster the further development of the logistics sector. We will examine the development of high-value added logistics parks to attract enterprises to use Hong Kong to support low-inventory modes of production in the region. The Logistics Development Council is studying the feasibility of establishing a common information technology platform to facilitate data exchange among participants in the logistics industry, including consignors, transport companies, the Government, banks and container terminal operators.

¹ Since the inception of the Programme in 1997, we have completed 90 helping business studies/projects involving a wide range of government departments. Examples of these projects include streamlining the licensing systems for restaurants and other food premises, massage establishments, vessels, tutorial schools and kindergartens; streamlining building regulations; setting up a one-stop business licence information centre; and putting government forms on the Internet for convenient downloading by members of the public.

12. To encourage our enterprises to devote more resources to research and development, to become more innovative and to make use of technology for moving up the value chain, we have established the \$5 billion Innovation and Technology Fund. We have also established the Applied Science and Technology Research Institute, the Science Park, the industrial estates, incubation services for technology start-up companies, and the Jockey Club Institute of Chinese Medicine to provide the necessary technological support infrastructure. We have recently reviewed the role and operation of the Productivity Council. As a result, it will have a sharper focus and will be more effective in supporting our enterprises in both Hong Kong and the Pearl River Delta.

13. To help small and medium sized enterprises enhance their competitiveness, we have set up four funding schemes with a total allocation of \$1.9 billion.

14. To encourage our professional service sectors to improve their professional standards and competitiveness in external markets, we have established the \$100 million Professional Services Development Assistance Scheme.

(C) Raising the quality of our human capital

15. We have been investing heavily in education, training and retraining. Between the five years from 1996-97 to 2001-02, funding for education increased 46%. Our priority is to improve the quality of basic education, enhance higher education and promote lifelong learning.

16. In addition, we need to attract to Hong Kong people with the right expertise and quality. To this end, we keep our policy on admission for employment under review and have introduced schemes to facilitate the entry of Mainland talents and professionals. We are also considering a new scheme to allow eligible people prepared to make an appropriate level of financial commitment to our community to take up residence in Hong Kong.

(D) Securing access for our enterprises to external markets

17. Through multilateral and bilateral economic and trade negotiations and participation in relevant economic and trade bodies, we aim to secure better market access for our enterprises.

18. We have launched consultations with the Central People's Government about the setting up of a closer economic partnership arrangement with the Mainland. Through this arrangement, we hope to help our enterprises and service providers gain better access to the Mainland market.

19. In conjunction with appropriate organisations such as the Trade Development Council, we also assist our enterprises to promote their products and services outside Hong Kong.

(E) Facilitating beneficial projects

20. The Government will consider the need to take appropriate measures to facilitate projects beneficial to our economy as a whole when the private sector is not ready to invest in them. Past examples were the construction of the Mass Transit Railway and the Hong Kong Disneyland project.

21. As regards promoting the development of the local community economy, the Financial Secretary is chairing an inter-bureau working group to map out a strategy and suitable initiatives.

Conclusion

22. The underlying objective of the Government serving as a proactive market enabler is to improve the business environment and foster economic development. Government bureaux and departments will keep relevant on-going programmes under regular review and will identify new initiatives to facilitate the operation of enterprises in Hong Kong.

Commerce and Industry Bureau
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