

**For discussion on  
14 June 2004**

**Legislative Council Panel on Commerce and Industry  
Improving the Business Environment**

**Purpose**

This paper sets out the Government's measures for improving the business environment.

**Introduction**

2. The Financial Secretary has stated in his speech concluding the Budget Debate 2004 that our economic policies should be "market leads, Government facilitates". Within this broad guiding principle, the Government's principle role is to create the best possible environment for business, to facilitate the market's operations and to promote its development.

3. In this connection, the Government has taken a series of measures to provide an "enabling environment" to facilitate business development and growth of individual sectors in Hong Kong. These measures are outlined below.

**Initiatives for simplifying rules and regulations, and improving procedures of the Government affecting the business community**

4. Government launched the Helping Business Programme in 1996 with the aims of securing a business-friendly environment and maintaining Hong Kong's position as the best place in the world for doing business. Work under the programme includes eliminating unnecessary or outdated regulations, streamlining and speeding up government licensing processes and other procedures that impact on business. We have so far completed some 110 helping business studies and reviews and implemented over 400

improvement measures under the Programme. Notable examples include the implementation of the Open Bond System to provide a more flexible operating environment which has significantly reduced the running costs for dutiable commodity trade, and the introduction of licences with a validity period of up to seven years for the hotel and guesthouse trades. The latter has considerably reduced the licence fees and removed the cumbersome procedures associated with annual licence renewals.

5. We have conducted similar reviews on regulations impacting on various other trades such as restaurants and supermarkets, construction, pharmaceutical products etc. and have implemented measures to streamline and speed up the licensing and approval processes. Details of the projects and broad achievements under the Helping Business Programme have been uploaded on the Economic Analysis and Business Facilitation Unit web site ([http://www.gov.hk/fso/eabfu/doc/proj\\_c\\_e.pdf](http://www.gov.hk/fso/eabfu/doc/proj_c_e.pdf)) for public access.

### **Supporting industrial development**

6. Our policy is to ensure that industries in Hong Kong remain competitive by providing them with maximum support and a business friendly environment under our free-market policy.

7. Hong Kong's comparative advantage has shifted from low-wage and labour-intensive production to high value-added and knowledge-based activities. We are therefore committed to providing a conducive environment for the development of high value-added and technology-based industries so as to enable our industries, both manufacturing and services, to remain competitive in the global market.

8. Our industrial support programme promotes :

- (a) infrastructural development and industrial diversification through the provision of one-stop infrastructural support services to technology based companies and activities by the Hong Kong Science and Technology Parks Corporation. The Corporation provides a comprehensive range of services to cater for the needs of industry at various stages, ranging from

nurturing technology start-ups through the incubation programme, providing premises and services in the Science Park for applied research and development activities, to providing land in the industrial estates for production;

- (b) development of high value-added and technology-based industries in Hong Kong through the provision of a high quality technological infrastructure, technology funding schemes such as the Innovation and Technology Fund, export marketing programmes and other forms of support;
- (c) manpower training and skills upgrading through the eight UGC-funded institutions, the Vocational Training Council, the TDC's comprehensive SME development programme, the Clothing Industry Training Authority, and employees retraining scheme etc.;
- (d) technology transfer through our inward investment promotional efforts; a network of bilateral investment promotion and protection agreements; and the services of the Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI), the Hong Kong Productivity Council (HKPC) and the Hong Kong Science and Technology Parks Corporation;
- (e) innovation in processes and products through consultancy projects and training courses, joint development projects in new technologies and techniques, and industrial design support by the HKPC;
- (f) productivity through the HKPC for improving technologies and techniques;
- (g) design through the Hong Kong Design Centre (HKDC) which aims to promote design as a value-added activity; raise design standards and foster design-related education; and raise the profile of Hong Kong as an innovative and creative hub; also through the TDC, with its Design Gallery and promotional programme to market Hong Kong's design capabilities and

designers, especially in the Chinese Mainland. To encourage more product design activities in Hong Kong and further promote Hong Kong brand names, the Financial Secretary has proposed a DesignSmart initiative in the 2004-05 Budget to strengthen our support for design and innovation. The \$250 million initiative will mainly involve enhancement of the existing design support infrastructure, provision of funding for worthwhile design and branding projects and research, incubation of start-up design ventures as well as promoting and honouring design excellence and branding;

- (h) standards and conformance services provided by the Innovation and Technology Commission support manufacturers in their effort to produce products which comply with the standards and conformity assessment requirements of overseas markets; and
- (i) support to small and medium enterprises (SMEs) through the Trade and Industry Department (TID)'s Support and Consultation Centre for SMEs (SUCCESS), SME Funding Schemes, the SME Committee (SMEC) and various subvented organisations (e.g. TDC, HKPC, VTC).

9. We have also promoted E-government to facilitate business operation. A business entry portal ([business.gov.hk](http://business.gov.hk)) was launched under the Electronic Service Delivery (ESD) Scheme in February 2004, offering one-stop access to essential business information from over one hundred contributing sources, including government departments, public bodies and trade associations. By structuring the vast amount of business-related information in a customer-centric way, businesses can now search for the information they need according to their business cycle – from starting a business, obtaining finance, expanding a business, to managing a business conveniently online. There are also value-added services, such as business news, a directory service and private sector-provided business information. We hope that the introduction of this portal can facilitate the business community, especially the small and medium enterprises (SMEs), in obtaining the right information in conducting their business.

### **Enhancing market access**

10. Both Government and the Trade Development Council (TDC) have been assisting local business to access Mainland and overseas markets through work on three fronts - information dissemination, market research and analysis, and promotion activities.

11. Our Economic and Trade Offices (ETOs) in Guangzhou and other overseas countries keep a close watch and collect the latest information on trade and economic laws and regulations in the Mainland and other main overseas markets. Relevant departments of the HKSARG disseminate such information to the trade through various channels such as Commercial Information Circulars, publications like newsletters and leaflets, departmental websites and hyperlinks with other relevant official websites, as well as seminars and forums.

12. Our ETOs in Guangzhou and other overseas countries also organize promotion events and visits by senior HKSAR officials to promote Hong Kong's image and external trade. For example, following the trip of HK entrepreneurs led by the CS to the Western part of the Mainland in May 2001, the Government has organized various "HK Week" activities jointly with the provincial authorities in the Mainland to promote and explore business co-operation opportunities there. Businessmen/entrepreneurs in HK are invited to join the events. So far "HK Week" has been held in Chongqing (November 2001 and May 2004), Shandong (May 2002), Jiangsu (December 2002), Fujian (August 2003), Zhejiang (November 2003), and Jilin (January 2004).

13. TDC seeks to promote and develop Hong Kong's external trade in goods and services through various promotional events in Hong Kong, mainland and overseas. TDC's focus is on trade promotion through marketing platforms (local trade fairs, product and service sourcing guides), business contacts (business matching services, inward/outward trade missions) and market information (research and analysis, market seminars).

14. TDC tailors its work in the above areas to meet the needs of different sectors. For example, TDC organizes the annual “Style Hong Kong” events in major mainland cities to promote Hong Kong brand names in the garments and fashion accessories; and the Hong Kong International Film and TV Market, a regional flagship event for entertainment industry.

*Mainland-HK Closer Economic Partnership Arrangement (CEPA)*

15. The conclusion of CEPA between HK and the Mainland has brought about new business opportunities. A number of initiatives have been implemented by both the Government and TDC to assist local businesses to take full advantage of the business opportunities created by CEPA.

16. Under CEPA, the Mainland has agreed to eliminate import tariff for 374 HK products under its 2004 tariff codes and to give preferential market access to service suppliers in 18 services sectors. To help traders understand the requirements for claiming tariff preference under CEPA, the TID has promulgated the CEPA origin rules and the application procedures for CO(CEPA) to the business community through trade circulars, TID’s website and a series of seminars and workshops.

17. On trade in services, TID provides, free of charge, a one-stop enquiry as well as certification services for all 18 services sectors. To improve the market access of our professionals in the services sector, the FS led a high level delegation to Beijing to attend a conference on 17 February 2004 on mutual recognition of professional qualifications. Arrangements on mutual recognition of qualifications in certain professional sectors were agreed and channels of direct communications between the professional bodies of HK and the regulatory authorities in the Mainland were established.

18. On trade and investment facilitation, HK and the Mainland agreed to strengthen co-operation in the seven areas including trade and investment promotion; customs clearance facilitation; commodity inspection and quarantine, food safety, quality and standardisation; electronic business; transparency in laws and regulations; co-operation in Chinese medicine industry; and co-operation of SMEs.

19. Both sides have committed to strengthen information exchange between SMEs and jointly explore ways to assist the development of SMEs. A Working Group comprising Mainland, HK and Macau authorities has been formed to take this forward. HK is also working with the Mainland to establish a hyperlink to disseminate the latest information to SMEs on both sides.

20. We will continue to liaise with the central and provincial authorities in the Mainland, consult key stakeholders and keep our policies under review to ensure that the community as a whole can capture maximum benefits under CEPA.

21. TDC has also drawn up a broad programme of new activities for 2004-05 focusing on assisting local business to exploit CEPA. These include dedicated CEPA Business Service Centres in Hong Kong, Beijing, Shanghai and Guangzhou opened in March 2004 to provide one-stop channels for Hong Kong and Mainland companies to capture business opportunities generated by CEPA, a nation wide and toll-free hotline for use by Mainland enquiries on CEPA-related events, an enhanced China business advisory service for Hong Kong firms, in depth research reports and sector specific inward and outward business missions to/from different Mainland regions.

### **Attracting foreign investment**

22. The foreign and Mainland business community plays a very important role in the Hong Kong economy. Foreign and Mainland companies bring in capital and create employment opportunities. Many also introduce new technologies and business practices to Hong Kong. The Government firmly supports a free market economy and a liberal investment regime. For the tenth consecutive year, the Heritage Foundation has rated Hong Kong as the freest economy in the world.

23. Established in July 2000, InvestHK is tasked to promote Hong Kong's many advantages as a trade, investment and business hub in Asia, and to attract inward direct investment. Its mission is to attract and retain

in Hong Kong economically and strategically important investment. It offers solution-oriented investment promotion, facilitation, and aftercare services to inward investors to ensure that companies have all the support required to establish and expand their operation in Hong Kong.

24. InvestHK adopts a targeted approach in its investment promotion strategy, with the express objectives to attract corporations from other parts of the world to set up their headquarters in Hong Kong, and to promote the nine business sectors<sup>1</sup> in which Hong Kong has comparative advantages. It offers sector specific expert guides to potential investors throughout all stages of the investment process.

25. InvestHK implements its investment promotion strategy mainly through the following activities :

- (a) Contact senior executives of foreign and Mainland companies and provide them with the latest information on Hong Kong's investment environment and other developments;
- (b) Facilitate foreign and Mainland companies to set up in Hong Kong by connecting investors with relevant government departments and commercial organisations, as well as assisting them with other administrative, legal and financial logistics;
- (c) Provide aftercare service to existing foreign and Mainland companies in Hong Kong, and encourage them to expand their operations;
- (d) Through sponsoring major international conferences, introduce to participants the advantages of Hong Kong as an investment location; and
- (e) Organise activities to liaise with the foreign and Mainland business communities in Hong Kong, e.g. business community programmes.

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<sup>1</sup> The nine priority sectors are financial services, business and professional services, information technology, media/multimedia, technology (especially electronics and biotechnology), telecommunications, tourism and entertainment, trade related services and transportation.



26. In order to maintain close contact with potential investors in major foreign markets, InvestHK deploys staff to overseas Economic and Trade Offices (ETOs) including New York, San Francisco, Brussels, London and Tokyo. It also employs external consultants to take care of other markets, namely France, Germany and Italy, Korea, India, the Middle East and Singapore, Kansai in Japan, Nordics, Canada and Australia, in order to strengthen its work on investment promotion and to broaden its exposure and external representation.

27. To further strengthen investment promotion efforts with a view to attracting more foreign and Mainland companies to establish their business in Hong Kong, the Financial Secretary announced in his 2003 Budget Speech the allocation of additional resources of \$200 million to InvestHK for it to step up activities in the following areas over five years starting in 2003-04 :

- (a) Broaden the external representation of InvestHK to markets not already included;
- (b) Improve coverage in markets where InvestHK is already represented;
- (c) Strengthen the two Hong Kong-based units of InvestHK which target Beijing/ Tianjin and Shanghai/ Jiangsu/ Zhejiang;
- (d) Increase joint marketing activities with the PRD cities, and strengthen the Mainland coordination team in the Head Office of InvestHK;
- (e) Create a new dedicated team to coordinate activities of the Investment Promotion Ambassadors (IPAs);
- (f) Improve the marketing, research, information technology and knowledge management capacity of the department; and
- (g) Strengthen the sector teams in the Head Office to handle the additional projects to be generated.

28. Since the announcement of CEPA, InvestHK has been vigorously promoting the business opportunities brought about by CEPA to both foreign and Mainland enterprises. Such efforts include holding seminars on CEPA in overseas and Mainland cities, introducing CEPA at events co-organized by InvestHK, preparing promotional leaflets and publications on CEPA that focus on the needs of both Mainland and overseas enterprises for distribution in various investment promotion activities; and disseminating information on CEPA that is relevant to the needs of foreign investors through the website of InvestHK.

### **The Economic and Employment Council (EEC) and its Subgroup on Business Facilitation**

29. Pursuant to the initiative announced in the Chief Executive's Policy Address in 2004, the Government established the EEC in January 2004 to replace four committees under the Finance Secretary (FS), namely the Economic Advisory Committee, Business Advisory Group, Investment Promotion Strategy Group and Task Force on Employment. The EEC is made up of prominent representatives from the political, business, labour and academic sectors. So far two meetings have been held. The Council has enabled FS to obtain constructive views on various issues relating to the development and implementation of policies and initiatives to promote economic activities, encourage inward investment, facilitate business, and engender employment opportunities.

30. A Subgroup on Business Facilitation has been also established under the EEC with the main objective of developing and overseeing a programme to systematically review government regulations and procedures impacting on business with a view to eliminating outdated, excessive, repetitive or unnecessary regulations on business so as to facilitate business development and job creation. On the recommendation of the Subgroup and the advice of the EEC, the Government will take a business-sector approach and accord priorities to the construction/real estate, entertainment/retail, logistics, computer procurement, technology, pharmaceutical as well as small and medium sized enterprise sectors in conducting helping business studies by phases in the future. We will co-opt representatives of the

concerned trades into the task force to oversee these studies and to enhance our understanding of the regulatory impact from a users' perspective.

31. The EEC provides an important forum to discuss issues with major bearings on economic growth, development and employment. For example, at the last meeting, we discussed the measures taken by the Government to tackle youth unemployment and illegal employment, priorities of sectors for review and improvement of regulatory impact, development of a new cruise terminal facility in Hong Kong and measures taken to facilitate the development of and job creation in the recycling industry. We will continue to encourage bureaux and departments to make use of the EEC forum to discuss major policy proposals and strategic issues with a view to enhancing the growth and employment potential of the Hong Kong economy.

32. A new Economic Analysis and Business Facilitation Unit under the FS' Office has been set up on 1 June 2004 by merging the former Economic Analysis Division in the Financial Services and the Treasury Bureau and the helping business division in the Commerce, Industry and Technology Bureau. The new Unit is to support the work of EEC and its Subgroup and further develop the Helping Business Programme.

### **Creating an “enabling” environment**

33. Apart from the measures set out in the aforementioned paragraphs, government agencies have introduced over 100 other initiatives that are conducive to creating an “enabling” environment to facilitate the development and growth of the business and individual sectors on their own initiatives and potentials. For example, the Government has identified land for the development of a value-added logistics parks in Tai Ho at North Lantau. The Lantau Development Task Force chaired by the FS has agreed to take forward this development plan as quickly as possible. Another example is the one-stop service to film industry on location filming requests of a more complicated nature provided by the Film Services Office that can facilitate the film industry in their productions. We have provided details of these initiatives to the C&I Panel subsequent to discussion of this subject in 2002, and the LegCo web page

(<http://www.legco.gov.hk/yr02-03/chinese/panels/ci/papers/cicb1-423-c.pdf>) for reference by Members and the public. Over 40% of these initiatives have been completed. Except one initiative (outsourcing of the transport services of the Water Supplies Department) that will not be pursued because of cost-effectiveness consideration, all other items are being actively pursued. We will shortly provide the LegCo Secretariat with an updated version for Members' reference.

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