

立法會 *Legislative Council*

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Panel on Commerce and Industry

Meeting on 13 February 2007

Background Brief on Promotion of Inward Investment

Purpose

This paper summarizes the views and concerns expressed by members on the Government's efforts to attract external direct investment and the performance of Invest Hong Kong (InvestHK) in developing and implementing strategies in investment promotion.

Background

2. Attracting external direct investment was one of the Government's major initiatives announced in the 2000-2001 Budget Speech to revive Hong Kong's economy after two years of recession following the Asian financial crisis. The establishment of InvestHK in July 2000 provided institutional support to spearhead the work of attracting inward direct investment and the improvement of Hong Kong's investment environment for promoting, in particular, the growth of multinational business activities. InvestHK adopts a targeted approach and promotes nine priority sectors¹ in which Hong Kong has comparative advantages.

3. On 3 June 2003, the Finance Committee approved the creation of a commitment of \$200 million to enable InvestHK to strengthen its investment promotion efforts over a period of five years from 2003-2004 to 2007-2008. The annual financial provision allocated to InvestHK for investment promotion during recent years is as follows:

¹ These nine priority sectors are: business and professional services, consumer, retail and sourcing; financial services, information technology; telecommunications, media/multi-media; technology; tourism and entertainment; transportation; and other special projects.

Year	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Annual provision (\$ '000) ²	73,709	97,410	110,718	106,183	106,063

Members' major views and concerns

Discussion at Panel meetings

4. Issues related to the promotion of inward investment have received ongoing attention by the Panel at a number of meetings held during the period April 2003 to April 2006. While noting the range of promotional activities carried out by InvestHK and in collaboration with its strategic partners, members have raised a number of views and concerns, which are summarized below, on how inward investment promotion work can be further taken forward:

- (a) the Administration should formulate measures with a clear policy direction and long-term vision in promoting investment with reference to the successful experience of Hong Kong's competitors in attracting inward investment. Every possible step should also be taken to improve the local business environment to enhance Hong Kong's attractiveness to potential foreign investors as a preferred place in the region for doing business. Apart from merely building on and promoting Hong Kong's existing strengths to overseas investors, InvestHK should, as part of its mission, strive proactively to attract inward investments in new industries so as to achieve a more diversified base for Hong Kong's economy. It was also important for InvestHK to keep under review the relevance of the priority areas in which it should strengthen promotional efforts in the light of changes in the economy and the target markets;
- (b) given that considerable resources were allocated to InvestHK, members attached great importance to the cost-effectiveness of its work. To avoid duplication of resources in promoting inward investment, members considered that the staffing structure of InvestHK, in particular its teams in the Head Office and Investment Promotion Units under overseas Economic and Trade Offices (ETOs) should be subject to regular reviews. They also sought information from time to time on the tangible and intangible benefits brought to Hong Kong as a result of InvestHK's investment promotion work;

² The figures represent the approved total allocation for InvestHK for the respective year and include the amount earmarked for each year from the \$200 million commitment approved in June 2003 .

- (c) to encourage investment in Hong Kong, the Administration should strive to provide a favourable business environment by considering incentives such as tax and land concessions. Publicity should also be strengthened on positive measures introduced to boost confidence in the economy, such as the implementation of Phase III of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA); abolition of estate duty; expansion of international arbitration services available in Hong Kong; arrangements with the Mainland authorities on mutual enforcement of judgments in civil matters, etc; and
- (d) the Administration should strengthen collaboration with the business sector, such as chambers of commerce and trade associations, to achieve greater synergy in inward investment promotion work.

Questions raised at special meetings of the Finance Committee

5. Members were concerned about the Administration's policy for attracting Mainland enterprises to invest in Hong Kong and whether there were plans to strengthen InvestHK's work in the promotion of overseas investment in Hong Kong. As advised by the Administration, InvestHK would continue to promote the competitive edge of Hong Kong as a springboard for Mainland enterprises to expand overseas. More resources would be given to strengthen InvestHK's coverage in the Mainland market, which included the setting up of Investment Promotion Units in the Beijing Office. InvestHK would continue to work closely with overseas ETOs in conducting investment promotion activities.

Council meetings

6. The importance of promoting inward investment was one of the key issues in Members' questions raised at Council meetings on Mainland enterprises investing and setting up business in Hong Kong and joint Hong Kong and Guangdong efforts to promote investment. In passing a motion on enhancing economic and trade cooperation between Hong Kong and the Pan-Pearl River Delta (PPRD) on 23 November 2005 and another one on cooperation between Hong Kong and the PPRD region on 15 November 2006, Members urged the Administration to, inter alia, continue its efforts to actively promote inward investment by Mainland enterprises.

Relevant papers

7. A list of relevant papers is at **Appendix**.

List of relevant papers

Committee	Paper	LC Paper No.
Panel on Commerce and Industry	✧ Administration's paper : "Briefing on measures to enhance investment promotion"	CB(1)1410/02-03(03)
	✧ Minutes of meeting held on 14 April 2003	CB(1)1823/02-03
	✧ Administration's paper : "Briefing on the work of Invest Hong Kong"	CB(1)1191/03-04(03)
	✧ Minutes of meeting held on 8 March 2004	CB(1)1688/03-04
	✧ Administration's paper : "Promotion of Inward Investment"	CB(1)1496/04-05(05)
	✧ Background Brief on "Work of Invest Hong Kong"	CB(1)1498/04-05
	✧ Minutes of meeting held on 17 May 2005	CB(1)1794/04-05
	✧ Administration's paper : "Promotion of Inward Investment"	CB(1)1287/05-06(03)
✧ Minutes of meeting held on 18 April 2006	CB(1)1463/05-06	
Finance Committee	✧ Question raised by Hon Jeffrey LAM (Reply Serial no. CITB(CI)002)	http://www.legco.gov.hk/yr05-06/english/fc/fc/w_q/citb-ci-e.pdf
	✧ Question raised by Hon SIN Chung-kai (Reply serial no. CITB(CI)044)	http://www.legco.gov.hk/yr05-06/english/fc/fc/w_q/citb-ci-e.pdf
	✧ Minutes of the special meeting held on 13 March 2006 (Report on the Examination of the Estimates of Expenditure 2006-07, Chapter III : Commerce and Industry)	http://www.legco.gov.hk/yr05-06/english/fc/fc/minutes/sfc_rpt.pdf

Committee	Paper	LC Paper No.
The Legislative Council (meeting held on 23 November 2005)	✧ Motion on "Enhancing economic and trade cooperation between Hong Kong and the Pan-Pearl River Delta region"	Hansard
The Legislative Council (meeting held on 29 March 2006)	✧ Question on "Joint Hong Kong and Guangdong Efforts to Promote Investment"	Hansard
The Legislative Council (meeting held on 15 November 2006)	✧ Motion on "Cooperation between Hong Kong and the Pan-Pearl River Delta region"	Hansard