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Panel on Commerce and Industry

Meeting on 18 March 2014

Updated background brief on promotion of inward investment

Purpose

This paper provides background information and the work progress of Invest Hong Kong (InvestHK) in promoting inward investment in 2012. It also provides a summary of views and concerns expressed by members of the Panel on Commerce and Industry (the Panel) during previous discussions on the subject.

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 following the Asian financial crisis. InvestHK was established in July 2000 to provide institutional support to spearhead the work of attracting inward direct investment and improve Hong Kong's investment environment for promoting, in particular, the growth of multinational business activities. InvestHK prioritizes its investment promotion work to support Government policy objectives, and adopts a sector-focused and market-oriented approach to proactively reach out to companies in target sectors in key geographical markets.

3. InvestHK has representatives in 27 global locations, including 14 investment promotion units (IPUs) based in the Hong Kong Economic and Trade Offices in the Mainland and overseas, the Hong Kong Economic, Trade and Cultural Office in Taipei and the Beijing Office, as well as 13 overseas consultants in locations not covered by the IPUs. The list of InvestHK's external promotion units is in **Appendix I**. A summary of the results of the work of InvestHK provided by the Administration for the period from 2000 to 2012 is in **Appendix II**.

Discussions by the Panel

4. The Panel has followed closely issues on the promotion of inward investment relating to promotion efforts in priority sectors and emerging markets, the effectiveness of the work of InvestHK, as well as measures to strengthen the work of InvestHK and attract inward investment to maintain Hong Kong's competitiveness. The major concerns expressed by members in 2011-2012 and 2012-2013 sessions are summarized below.

Investment promotion efforts in priority sectors and emerging markets

5. Panel members called for closer collaboration among InvestHK, the relevant government bureaux and departments, and organizations such as the Hong Kong Trade Development Council and the Hong Kong Tourism Board to promote business opportunities in sectors where Hong Kong had a competitive edge, such as financial services, innovation and technology, green technology and creative industry sectors.

6. Members considered it important for InvestHK to continue to accord priority to investment promotion in the Mainland and to promote Hong Kong as an ideal platform for Mainland companies to go global. Some members pointed out that on top of encouraging Mainland companies to come to Hong Kong for listing and capital raising, it was also important to attract Mainland companies to set up or expand business in Hong Kong, a move that would benefit Hong Kong's economic development. These members suggested that the Administration should attract Mainland companies in the Chinese medicines, pharmaceutical and high-value food industries to leverage on the advantage of Hong Kong's testing and certification industry to set up manufacturing or processing operations in Hong Kong.

7. Taking note of the joint overseas investment promotion activities organized by InvestHK in partnership with various Mainland cities, some members were concerned whether Hong Kong's intermediary role as an ideal platform for Mainland companies to go global would be undermined, and whether Hong Kong and the Mainland cities would compete with each other when attracting foreign direct investment in these joint promotion activities.

8. As sovereign debt crisis in Europe remained a threat to the global economy, members suggested that apart from developed markets such as the United States and Europe, InvestHK's promotion effort should pivot to key emerging markets including Southeast Asia, Russia, India, the Middle East and South America.

Effectiveness of investment promotion work

9. To enhance the effectiveness of InvestHK and facilitate evaluation of its work, some members suggested InvestHK to keep track of the development of the companies newly established in Hong Kong and collect follow-up information, such as subsequent business expansion, additional number of jobs created, and post-start-up investment after the first year operation. Members also advised InvestHK to strengthen its ongoing aftercare support services for overseas enterprises established in Hong Kong to facilitate their business expansion and upgrading in Hong Kong.

Measures to complement investment promotion

10. Some Panel members considered that the problem of insufficient international school places in Hong Kong might discourage multi-national companies from investing in Hong Kong as the difficulty of finding school places for children of senior executives of large multi-national firms posted in Hong Kong was in some cases a critical factor for the corporation's decision on whether or not to set up businesses in Hong Kong. These members urged the Administration to put in place measures to address the problem. Some members suggested that a high level committee should be set up to co-ordinate the work of different departments in dealing with issues raised by the international business community in Hong Kong.

Latest position

11. The Administration will update the Panel on 18 March 2014 on the work of InvestHK in 2013 and outline the way forward for 2014.

Relevant papers

12. A list of relevant papers is in **Appendix III**.

Invest Hong Kong's External Promotion Units

| <u>Region</u> | <u>Office Location</u> | <u>Area Covered</u> | <u>Remarks</u> |
|----------------------|-------------------------------|--|----------------------------|
| North America | New York | US East & Central | Based in New York ETO |
| | San Francisco | US West | Based in San Francisco ETO |
| | Toronto | Canada | Based in Toronto ETO |
| South America | Bogota | South America (excluding Brazil) | Consultant Company |
| | Sao Paulo | Brazil | Consultant Company |
| Europe | Brussels | Belgium, Bulgaria, Croatia, Cyprus, Greece, Ireland, Luxembourg, Malta, the Netherlands, Portugal, Romania and Spain | Based in Brussels ETO |
| | Berlin | Austria, Germany, Czech Republic, Hungary, Poland, Slovak Republic, Slovenia and Switzerland | Based in Berlin ETO |
| | Paris | France | Consultant Company |
| | Milan | Italy | Consultant Company |
| | Gothenburg | Nordics (Denmark, Finland, Iceland, Norway and Sweden) | Consultant Company |
| | London | UK, Estonia, Latvia and Lithuania | Based in London ETO |
| | Moscow | Russia and Commonwealth of Independent States | Consultant Company |
| | Asia/ Australasia | Tokyo | East Japan |
| Osaka | | West Japan | Consultant Company |
| Singapore | | Singapore | Based in Singapore ETO |
| Kuala Lumpur | | ASEAN countries (excluding Singapore) | Consultant Company |
| Seoul | | Korea | Consultant Company |
| Mumbai | | India | Consultant Company |
| Istanbul | | Turkey | Consultant Company |
| Sydney | | Australia and New Zealand | Based in Sydney ETO |

| <u>Region</u> | <u>Office Location</u> | <u>Area Covered</u> | <u>Remarks</u> |
|---------------------------------------|-------------------------------|--|-------------------------|
| Mainland and Taiwan | Guangzhou | Guangdong, Fujian, Jiangxi, Guangxi and Hainan | Based in Guangdong ETO |
| | Beijing | Beijing, Tianjin, Hebei, Shandong, Liaoning, Heilongjiang, Jilin, Henan, Shanxi, Gansu, Qinghai, Xinjiang, Xizang (Tibet), Ningxia, and Inner Mongolia | Based in Beijing Office |
| | Chengdu | Chongqing, Sichuan, Yunnan, Guizhou, Hunan, and Shaanxi | Based in Chengdu ETO |
| | Shanghai | Shanghai, Jiangsu, Zhejiang, Anhui, and Hubei | Based in Shanghai ETO |
| | Taipei | Taiwan | Based in Taipei HKETCO |
| Middle East and North Africa | Abu Dhabi | Middle East (Bahrain, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates, Yemen), and North Africa (Algeria, Egypt, Libya, Morocco, Tunisia) | Consultant Company |
| | Jerusalem | Israel | Consultant Company |

Summary of Results of the Work of InvestHK

| | No. of projects completed* | Jobs created within the first year [#] | Investment amount (\$ million) [#] |
|----------------------------|----------------------------|---|---|
| 2000 (Jul – Dec) | 35 | 347 | 506 |
| 2001 | 99 | 1 504 | 3,500 |
| 2002 | 117 | 2 075 | 1,360 |
| 2003 | 142 | 2 456 | 2,493 |
| 2004 | 205 | 3 008 | 4,658 |
| 2005 | 232 | 2 517 | 8,895 |
| 2006 | 246 | 3 092 | 10,243 |
| 2007 | 253 | 3 130 | 8,387 |
| 2008 | 257 | 2 450 | 4,608 |
| 2009 | 265 | 2 711 | 4,360 |
| 2010 | 284 | 3 063 | 8,130 |
| 2011 | 303 | 2 716 | 5,060 |
| 2012 | 316 | 2 937 | over 7,600 |

* *The figures represent companies assisted by InvestHK, and do not include companies set up in Hong Kong without such assistance.*

As reported by the companies assisted by InvestHK themselves. Not all are willing to disclose the data.

Promotion of inward investment

List of relevant papers

| Date of meeting | Meeting | Minutes/Paper | LC Paper No. |
|-----------------|--------------------------------|--|---|
| 21/2/2012 | Panel on Commerce and Industry | <p>Administration's paper</p> <p>Updated background brief</p> <p>Minutes of meeting</p> <p>Follow-up paper</p> | <p>CB(1)1077/11-12(03)</p> <p>http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci0221cb1-1077-3-e.pdf</p> <p>CB(1)1077/11-12(04)</p> <p>http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci0221cb1-1077-4-e.pdf</p> <p>CB(1)1547/11-12</p> <p>http://www.legco.gov.hk/yr11-12/english/panels/ci/minutes/ci20120221.pdf</p> <p>CB(1)1879/11-12(01)</p> <p>http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci0221cb1-1879-1-e.pdf</p> |
| 23/1/2013 | Panel on Commerce and Industry | <p>Administration's paper</p> <p>Updated background brief</p> <p>Minutes of meeting</p> | <p>CB(1)436/12-13(05)</p> <p>http://www.legco.gov.hk/yr12-13/english/panels/ci/papers/ci0123cb1-436-5-e.pdf</p> <p>CB(1)436/12-13(06)</p> <p>http://www.legco.gov.hk/yr12-13/english/panels/ci/papers/ci0123cb1-436-6-e.pdf</p> <p>CB(1)694/12-13</p> <p>http://www.legco.gov.hk/yr12-13/english/panels/ci/minutes/ci20130123.pdf</p> |