

# 立法會 *Legislative Council*

LC Paper No. CB(1)512/14-15(04)

Ref : CB1/PL/CI

## **Panel on Commerce and Industry**

### **Meeting on 10 February 2015**

#### **Updated background brief on promotion of inward investment**

#### **Purpose**

This paper provides background information on and the work progress of Invest Hong Kong (InvestHK) in promoting inward investment in 2013. It also provides a summary of views and concerns expressed by members of the Panel on Commerce and Industry (the Panel) during the discussions on the subject in the previous three legislative sessions.

#### **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 identify and reach out to companies in target sectors in key geographical markets.

3. In 2013, 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 in 2013 is in **Appendix I**. The results of the work of InvestHK provided by the Administration for the period from 2000 to 2013 is summarized in **Appendix II**.

## Discussions by the Panel

4. The Panel attaches great importance to the promotion of inward investment and has been keeping a close watch on relevant policies to ensure that Hong Kong stays competitive in attracting foreign direct investment to drive economic growth, spur innovation, and create jobs. The major concerns expressed by members are summarized below.

### Strategies on promoting inward investment

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. These included financial services, innovation and technology, testing and certification services, green technology and creative industry sectors. Given Hong Kong's strengths in testing and certification services, some members suggested to focus more efforts on the pharmaceutical industry. InvestHK was advised to accord priority to attracting overseas and Mainland pharmaceutical companies to set up manufacturing and processing operations in Hong Kong and have their products produced and tested in Hong Kong for access to the Mainland market and export to overseas markets.

6. Members considered it important for InvestHK to continue to step up 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.

7. While supporting joint overseas investment promotion activities organized by InvestHK in partnership with the authorities of Mainland cities, some members expressed concern 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. In the face of increasing competition from neighbouring economies' aggressive policies to attract foreign investment, members were concerned that Hong Kong would lose out to its competitors should the Administration remain conservative in this regard. Some members urged the Administration to consider offering incentives, such as tax concessions, to attract more quality companies, including start-up entrepreneurs, to set up their businesses in Hong Kong, thereby creating more job opportunities. Some members were of the view that the

Administration should devise an open and fair mechanism to provide sufficient incentives for potential investors to invest in Hong Kong while avoiding transfer of benefits to any specific private companies. At members' request, the Administration had provided a comparison of the policies on attracting foreign investments adopted by Hong Kong Government and the government of Singapore, Korea and Malaysia under [LC Paper No. CB\(1\)2023/13-14\(01\)](#).

9. 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 should also focus its promotion efforts on key emerging markets including Southeast Asia, Russia, India, the Middle East and South America.

#### Effectiveness of investment promotion work

10. To enhance the effectiveness of InvestHK and facilitate evaluation of its work, some members suggested InvestHK to keep track of the business 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 during their initial three to five years of operation in Hong Kong. Members also advised InvestHK to continue to strengthen its ongoing aftercare support services for overseas enterprises established in Hong Kong, such as assisting these enterprises in recruiting local talents, to facilitate their business expansion and upgrading in Hong Kong.

11. Given the vast geographical spread under the overseas IPUs' purview and the time consuming process in dealing with individual potential investors, some members were concerned that the IPUs might not have sufficient manpower to effectively take forward the investment promotion work. To enhance the effectiveness of InvestHK's promotion work, these members suggested that InvestHK should consider engaging industry stakeholders in its promotion work to provide first-hand information about the business environment of relevant industries in Hong Kong to overseas companies.

#### Measures to complement investment promotion

12. The Administration was urged to put in place measures to address the problems of insufficient international school places and the rising business operation costs due to the high rental and acquisition costs of office accommodation which might discourage multi-national companies from investing in Hong Kong. Some members suggested that a high level committee should be set up to co-ordinate the work of different departments in dealing with concerns raised by the international business community in Hong Kong.

**Latest position**

13. The Administration will update the Panel on 10 February 2015 on the work of InvestHK in 2014 and outline the way forward for 2015.

**Relevant papers**

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

Council Business Division 1  
Legislative Council Secretariat  
4 February 2015

**Invest Hong Kong's external promotion units in 2013**

<b><u>Region</u></b>	<b><u>Office Location</u></b>	<b><u>Area Covered</u></b>	<b><u>Remarks</u></b>	
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 (except Brazil)	Consultant Company	
	Sao Paulo	Brazil	Consultant Company	
Europe	Berlin	Austria, Germany, Czech Republic, Hungary, Poland, Slovak Republic, Slovenia and Switzerland	Based in Berlin ETO	
	Brussels	Belgium, Bulgaria, Croatia, Cyprus, Greece, Ireland, Luxembourg, Malta, the Netherlands, Portugal, Romania and Spain	Based in Brussels ETO	
	Gothenburg	Nordics (Denmark, Finland, Iceland, Norway and Sweden)	Consultant Company	
	Istanbul	Turkey	Consultant Company	
	London	UK, Estonia, Latvia and Lithuania	Based in London ETO	
	Milan	Italy	Consultant Company	
	Moscow	Russia and Commonwealth of Independent States	Consultant Company	
	Paris	France	Consultant Company	
	Asia/ Australasia	Kuala Lumpur	Malaysia and Indonesia	Consultant Company
		Mumbai	India	Consultant Company
Osaka		West Japan	Consultant Company	
Seoul		Korea	Consultant Company	
Singapore		ASEAN (except Malaysia and Indonesia)	Based in Singapore ETO	

<b><u>Region</u></b>	<b><u>Office Location</u></b>	<b><u>Area Covered</u></b>	<b><u>Remarks</u></b>
	Sydney	Australia and New Zealand	Based in Sydney ETO
	Tokyo	East Japan	Based in Tokyo ETO
Mainland and Taiwan	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
	Guangzhou	Guangdong, Fujian, Jiangxi, Guangxi and Hainan	Based in Guangdong 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

[Source: Annex of the Administration's paper on "Promotion of inward investment" for the meeting of the Panel on Commerce and Industry on 18 March 2014 ([LC Paper No. CB\(1\)1072/13-14\(03\)](#))]

Summary of Results of the Work of InvestHK<sup>^</sup>

	No. of projects completed*	Jobs created within the first year <sup>#</sup>	Investment amount (\$ million) <sup>#</sup>
<b>2000</b> (Jul – Dec)	35	347	506
<b>2001</b>	99	1 504	3,500
<b>2002</b>	117	2 075	1,360
<b>2003</b>	142	2 456	2,493
<b>2004</b>	205	3 008	4,658
<b>2005</b>	232	2 517	8,895
<b>2006</b>	246	3 092	10,243
<b>2007</b>	253	3 130	8,387
<b>2008</b>	257	2 450	4,608
<b>2009</b>	265	2 711	4,360
<b>2010</b>	284	3 063	8,130
<b>2011</b>	303	2 716	5,060
<b>2012</b>	316	2 937	over 7,600
<b>2013</b>	337	2 897	over 12,500

<sup>^</sup> Compiled from Administration's papers and website of Invest Hong Kong (<http://www.investhk.gov.hk>)

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

<sup>#</sup> 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	Papers
21/2/2012	Panel on Commerce and Industry	<p>Administration's paper on "Promotion of inward investment"  <a href="#">(LC Paper No. CB(1)1077/11-12(03))</a></p> <p>Updated background brief prepared by the Legislative Council Secretariat  <a href="#">(LC Paper No. CB(1)1077/11-12(04))</a></p> <p>Minutes of meeting  <a href="#">(LC Paper No. CB(1)1547/11-12)</a></p> <p>Administration's follow-up paper  <a href="#">(LC Paper No. CB(1)1879/11-12(01))</a></p>
23/1/2013	Panel on Commerce and Industry	<p>Administration's paper on "Promotion of inward investment"  <a href="#">(LC Paper No. CB(1)436/12-13(05))</a></p> <p>Updated background prepared by the Legislative Council Secretariat  <a href="#">(LC Paper No. CB(1)436/12-13(06))</a></p> <p>Minutes of meeting  <a href="#">(LC Paper No. CB(1)694/12-13)</a></p>
18/3/2014	Panel on Commerce and Industry	<p>Administration's paper on "Promotion of inward investment"  <a href="#">(LC Paper No. CB(1)1072-13-14(03))</a></p> <p>Updated background brief prepared by the Legislative Council Secretariat  <a href="#">(LC Paper No. CB(1)1072/13-14(04))</a></p> <p>Minutes of meeting  <a href="#">(LC Paper No. CB(1)1418/13-14)</a></p> <p>Administration's follow-up paper  <a href="#">(LC Paper No. CB(1)2023/13-14(01))</a></p>