

23 July 2009

The Honourable Mr. Donald Tsang Yam-Kuen GBM  
The Chief Executive  
The Hong Kong Special Administrative Region of  
The Peoples' Republic of China  
5/F Central Government Offices  
Main Wing, Lower Albert Road  
Hong Kong

Dear Chief Executive,

I enclose a submission from members of the British Chamber of Commerce in Hong Kong which we hope will shape some of the Government's thinking on key priorities in your forthcoming Policy Address for 2010. A large number of Chamber members, both local and international, have been keenly involved in preparing this document – a clear reflection of how strongly we all feel that Hong Kong is our home and that a dynamic, healthy, well run city is very much in both our corporate and individual interests. Our aim has been to focus constructively, and with an eye on solutions, on some of the challenges which you, your administration and we, the people of Hong Kong, face going forward. We have argued that there is a pressing need for the Government to give priority to developing long term strategic visions in all policy areas, and to ensure these have relevance and traction with the planning process in the Mainland. We believe the drivers for this process are:

- To enhance HK's connections with the PRD **and** the Mainland, in order to optimise development of our own and the region's economy.
- To build HK's attractiveness as Asia's leading international/global business centre.

We have in this context also identified a number of key issues that we believe should attract a high priority in the administration. These include:

- Governance and transparency
- Regional competitiveness and relevance to Mainland China
- The living environment
- Hong Kong people.

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In addition we have made a number of suggestions which we believe will reinforce the excellent work that the administration is doing, and will relieve the coordination challenges that lie ahead as the range of major projects come on stream. These are:

- Professional and technocratic impact assessment on the introduction of new legislation.
- Further development of the CEPA.
- Greater involvement in and lobbying of the Central Government planning which will require allocating more resource to the China Liaison Team.
- Establish a 'Ten Mega Projects' Coordination Office similar to the old NAPCO.
- Building on the excellent work already done with the Guangdong Government to improve the living environment of the PRD and also to adopt the World Health Organisation (WHO)'s most recent Air Quality Guidelines (AQG).
- Creation of a harbour authority to oversee and coordinate the future development of the harbour and waterfront.
- Keeping education providers and whole life retraining up to date with current international standards.

I hope that you will accept our suggestions in the constructive spirit in which they are put forward. Our Chamber membership wishes Hong Kong not merely "to keep ahead of the pack" but to be seen clearly both across the nation and globally as a key contributor to China's future national prosperity.

Yours sincerely

James Riley  
Chairman

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## Shaping the 2009 Policy Address

### A submission from THE BRITISH CHAMBER OF COMMERCE IN HONG KONG

*"Preserving our reputation as a business-friendly global hub that maintains regional competitiveness and relevance to Mainland China, within a first-class living environment."*

#### Introduction

This paper seeks to set out the views of the members of the British Chamber of Commerce for the consideration of the Chief Executive in the preparation of the 2009 'Policy Address'. These views are currently dominated by the global recession and its impact on Hong Kong and the region, and the challenge from increasingly competitive and powerful Mainland enterprises.

Chamber members' concerns on the current global economic contraction were set out, with recommendations to the Financial Secretary, ahead of his 2009-10 Budget Address. Our priority then – and still now – was the need to assist Hong Kong's SMEs. These are a critical driver in the Hong Kong economy and face extreme challenges. They need measures to help them to stay in business and to preserve jobs.

Chamber members have noted a past tendency by the Government to respond to these and other challenges in the Policy Address with piecemeal, tactical, policy responses. This has resulted in a perceived lack of clarity over long term strategic objectives of the Government, and uncertainty among businesses which need to make investments for the long term. It has fostered a perception that certain policies are responses to powerful lobbying interests, where the Government is pressured to do the **popular** thing, rather than the **right** thing.

Chamber members thus call on the Government instead to use the Policy Address as a key opportunity to provide a clear long term strategic vision for Hong Kong. Once this is done, the substance of the Address can then be devoted to the practical policy initiatives that "cascade" naturally from the strategic vision. Chamber members believe that if this approach is taken, then public support can be galvanized around these long term strategic objectives, making it easier than at present for officials both to define, and win support for, the policies needed to achieve these long term objectives. The fact that Mainland officials adopt this approach in drawing up their Five Year Plans would likely make collaboration on cross-boundary initiatives easier to agree.

At the heart of such a long term strategic vision, Chamber members believe there are two core objectives:

- To enhance HK's connections with the PRD **and** the Mainland, in order to optimize development of our own and the region's economy.
- To build HK's attractiveness as Asia's leading international/global business centre.

This submission sets out what Chamber members believe are the four most important issues that need to be addressed at the heart of Hong Kong's long term strategic vision:

- (1) Governance and transparency
- (2) Regional competitiveness and relevance to Mainland China
- (3) The living environment
- (4) Hong Kong people.

#### **Governance and transparency**

Effective governance and transparency in policy making are a priority for the Chamber and the wider Hong Kong business community. They define whether our business environment is attractive, and have a powerful impact on the profitability of companies based here.

One practical area of concern is a reluctance to commit consistently to rigorous, independent and transparent technocratic analysis of complex and controversial policy initiatives. In particular, the Chamber is concerned at the absence of analysis that can define full socio-economic cost benefit implications of legislation under consideration. Recent examples might include food labeling, the legislation for the introduction of a minimum wage and a competition law. In many developed jurisdictions, the process of public consultation is accompanied by a formal and transparent process of regulatory impact assessment and reporting. This provides public justification for any proposed ordinance, based on an informed independent analysis of objectives, effects, alternatives and costs. The Chamber recommends that Hong Kong should adopt a similar practice, of course adapting it to suit local situations.

Progress in tackling and reducing 'Red Tape' is welcome. The recently established 'Development Opportunities Office', which provides a 'one-stop shop' service for private developers and non-government organisations (NGOs) who are seeking Government advice and assistance is a real step forward. We would encourage greater coordination between the respective Bureaus particularly on projects that clearly require an integrated approach during both the conceptual and implementation phases of the work. We would commend a centralized approach to managing a range of mega projects.

#### **Regional Competitiveness and Relevance to the Mainland**

With the challenge presented by the continuous development of centres such as Shanghai, Singapore and Shenzhen, Hong Kong faces constant challenges to its role as a regional and global hub. Our administration needs absolute clarity about the core components of Hong Kong's economic strength and success, and clear policies focused on protecting and promoting these strengths. Equally pivotal, our administration needs to build its capacity to articulate these points with National and regional policymakers. The Chamber has commented on this separately in its submission on the NDRC PRD paper. It has recommended the need to upgrade and strengthen official representation in Beijing and Guangzhou in particular. The Government will wish to ensure that Hong Kong does not fall behind in its capacity to fulfill traditional roles in finance, professional services, logistics, shipping, import/export trades. Further development of the CEPA will enhance the ability of Hong Kong professionals to operate in mainland China. So too will forceful input to the 12<sup>th</sup> Five Year Plan.

In the light of stiffer competition from regional rivals, the competitiveness of Hong Kong and its relevance to Mainland China are some of the most important challenges it faces. Shanghai's active lobbying to have its own formulated development plan approved by the National Development and Reform Commission (NDRC), should be measured against Hong Kong's more limited activity. So too Hong Kong's limited role in drafting the PRD Outline for a Development Plan. To serve Hong Kong better, the Chamber supports a more proactive approach by the Government to Mainland affairs. For example, the Government's recent announcement of "six (new economic) pillars" as representing elements of a vision for Hong Kong's economic future, needs to be woven into the fabric of an all-encompassing vision of Hong Kong's role in the future of China, the region and the wider world.

Through high-level directives, Hong Kong could be elevated to the status of an informed contributor to national policy and development, thus ensuring that it can maximize its influence. Hong Kong needs greater frequency of formal and informal contacts with key national decision-makers, to secure a role in the debate for both national and Hong Kong-related policy, and the development of policy papers for submission to relevant state bodies such as the NDRC. An immediate priority in terms of engagement and lobbying in China is our contribution to the drafting of the upcoming 12<sup>th</sup> Five Year Plan, with the aim of championing Hong Kong's specific interests, and defining a special role in national development.

In enhancing physical cross boundary links, the Chamber is in full support of the Government's 'Ten Mega Projects' and associated improvements to Hong Kong's infrastructure. These are essential for securing future competitiveness and connectivity – presuming they are developed sustainably and pay attention to due process and comprehensive environmental impact assessments. Infrastructure investment by Hong Kong must aim to achieve 'super connectivity' with the Greater Pearl River Delta (PRD) and beyond, ensuring seamless access to the hinterland and enhanced flows of goods, people and capital. These together can ensure our airport retains its status as the regional aviation hub of choice, provided there is timely investment in a third runway.

The Chamber would argue that strengthened high-level coordination and cooperation between bureaus, departments and projects will be necessary to streamline this ambitious development programme. With the Mega Projects and associated site works about to commence, the Chamber considers that the New Airport Projects Co-ordination Office (NAPCO), which ensured the integration of diverse projects during the Airport Core Programme in the 1990s, as an example to follow. Such a body could manage related administrative procedures so that development delays and obstacles are avoided. In addition, during this period of intense infrastructure activity, the Government must look forward strategically to set out the next generation of essential 'mega projects', to ensure continuing mutual benefits to Hong Kong and Mainland China.

### **The Living Environment**

This subject remains a major concern, not only for the members of the Chamber and potential investors in Hong Kong, but for the broad community. Surveys and academic research consistently show that air quality is not just an 'expatriate issue'. It also is clear that pollution cannot be blamed on industrial activity in Guangdong. The Government must engage with the community on our own civic responsibilities on this subject.

Although the past year has seen a strengthening of measures concerning pollution, particularly in energy conservation and green building, Hong Kong still lacks a comprehensive planned strategy for its environment, energy and sustainability. Hong Kong's decline from being a 'developed' to

a 'developing' economy concerning climate change should not be used as an excuse to neglect its responsibilities which are undeniably 'first world'. In the spirit of 'One Country, Two Systems', the Chamber urges the Government urgently to articulate a considered response to climate change. With the Climate Change Conference in Copenhagen in December 2009, the Government has the opportunity to achieve a position of international statesmanship on this critical issue by ensuring its active representation by senior officials in the Chinese Delegation as was the case at the Bali Conference.

There are undoubtedly difficult regional challenges in controlling air pollution. The Government's heightened efforts through cross-boundary collaboration to tackle pollution, including the 'Green PRD' consensus reached with the Guangdong Provincial Government last year, are gestures in the right direction. However, it should be recognized that these do not go nearly far enough. Hong Kong must do much more to improve to its own air quality, particularly at roadsides, and engage far more forcefully in lobbying and policy debates in the full range of provincial, national and global arenas. Success here will have significant positive benefits, since international investors are increasingly concerned to base their international executives in city locations with healthy environments.

The Chamber calls on the Government to secure a higher quality and healthier living environment for the entire community in Hong Kong. Regarding the Government's ongoing review of Air Quality Objectives, for example, it is imperative that new standards are based purely on public health, rather than on the ease of achievability of the new standards. The Chamber argues strongly for the adoption of the World Health Organisation (WHO)'s most recent Air Quality Guidelines (AQG), to generate genuine reductions in emissions. This must be a standard applicable to the Greater PRD, not just Hong Kong, as all share the same 'airshed' and community health consequences.

In the same vein, we would also encourage the government to adopt a long-term vision for Hong Kong's harbour. It is one of the SAR's greatest assets, despite the piecemeal and ad hoc approach that has been taken to its development over the years. The government is urged to consider the creation of some form of Harbour Authority with a view to coordinating development and planning issues on the harbour front and seeing through the long-term changes necessary to position Hong Kong in its rightful place as one of the greatest waterfront cities in the world with all the economic benefits one would expect that to bring.

### **The People**

Hong Kong's competitive future relies fundamentally on its people – their quality, flexibility, civility and commitment. A key long term issue for Hong Kong is that of an ageing population and potentially with a declining population. The consequence of this is the need to ensure that the education system will equip a high percentage of those entering the work force with the right skill sets needed for a highly specialized financial, trading and business centre that has a high capacity for innovation. It must also be able to equip those already in the work force with the new skills that will emerge through a policy of whole life training. The government has rightly addressed this through a series of reforms in the primary, secondary and tertiary education sectors. It needs to go further to ensure that those organisations providing further education (in particular the Vocational Training Council) give absolute priority to developing their education programmes flexibly in response to changing developments in business. They must be given the necessary powers and resources to respond effectively to this challenge. It is also critically important for Hong Kong to maintain and evolve its flexible immigration regime, enabling a consistent supply of the talents that Hong Kong businesses need.

### *Conclusion*

This paper aims to share with the Government the four most important areas of concern of the members of the British Chamber in 2009-10. These are not issues of narrow business interest, but are necessary for the enhancement and future success of Hong Kong and its relevance to Mainland China. Pivotal, we need not only the Central Government but also the wider population to appreciate the 'added value' that a successful Hong Kong brings to the Nation. It is hoped that the Government will consider the views of the members of the British Chamber in their development of future strategy and initiatives.