

THE AMERICAN CHAMBER OF COMMERCE IN HONG KONG

Position Paper

Enhancing Hong Kong's Competitiveness

Position

THE S.A.R. GOVERNMENT SHOULD CONTINUE TO IMPROVE HONG KONG'S COMPETITIVE POSITION AS A HIGH-PERFORMANCE, WORLD-CLASS CENTER FOR INTERNATIONAL BUSINESS BY STRENGTHENING THE FOUNDATIONS OF HONG KONG'S FREE MARKET BUSINESS ENVIRONMENT.

Rationale

The essence of Hong Kong's business success has been to allow free market forces to determine the direction of change. This approach has served Hong Kong well for decades. Private sector ingenuity and creativity have spawned competitive industries that have naturally replaced business sectors in decline. *This obviates the need for government to develop any specific "industrial policy" or policies favoring uncompetitive or particular industrial sectors.* Such policies tend to imbalance the marketplace and make Hong Kong a less competitive regional business center, rather than strengthening it through market enterprise.

Recommendations

To enhance Hong Kong's competitive position regionally, the government should adopt policies that focus on improving Hong Kong's quality of life in general and Hong Kong's business climate in particular. Hong Kong should enjoy world-class educational, environmental, and housing standards. Upgrading work-force capabilities and undertaking programs to stimulate and protect creativity will have strong societal as well as economic benefits. The S.A.R. Government should continue to reassure business that these measures will take precedence in government thinking and policy, and that it will not yield to pressures from special industry groups for favored treatment or subsidies which undermine the free market and a level playing field.

There are several specific, useful steps the government should take to help Hong Kong business, as a whole, maintain international competitiveness.

Continue to build sustainable infrastructure. Hong Kong can rightfully claim to be the best platform for doing business in China, but that position could be in jeopardy unless more attention is given to both cross-border transportation needs and to the growing traffic congestion within the Special Administrative Region itself. Although Hong Kong has some of the finest sea and air links in the world, our regional infrastructure unfortunately does not match our international links. Telecommunications and financial links to China and the region should be continually upgraded to maintain Hong Kong's leadership position.

Develop a quality environment. Hong Kong needs a quality environment to remain a world class business hub. Encouraging sound global benchmark ecological practices and developing consulting capability and environmental engineering technology that can be applied both here and in the region will put Hong Kong in a strong competitive position for the future. This will enable Hong Kong to continue to attract world-class talent to base themselves here, while benefiting the health and growth of Hong Kong's society.

Stimulate Creativity. Implement a strong and effective intellectual property protection regime and encourage original design, invention and product development. In order to attract leading-edge international companies, and to nurture a "home grown" high technology and brand identity base, it is essential that the creators of intellectual property know that the government will safeguard their efforts. Encouragement of the high technology or original design sectors of the economy in the absence of effective intellectual property protection will not succeed.

Improve education at all levels. Focus educational development on the needs of society for the future. Ensure that original research, conceptual and creative thinking, multi-lingual capability, English language proficiency, international awareness and the practical, technical and commercial skills needed for the 21st century are promulgated to the highest global standards. In addition, a high level of English language should be maintained as the international standard.

Reduce the cost of doing business. The government should take careful heed of protecting Hong Kong's attractiveness as a regional and China headquarters. In particular, free market steps to reduce real estate costs would help ensure operating costs are competitive.

Reduce the marginal tax rate. A tax cut would be a boon to all industries, as it would make them more competitive. It would be an inducement for foreign companies to locate operations in Hong Kong. It would allow Hong Kong to compete better against locations that offer tax holidays of various kinds. And it would in effect reduce all prices in Hong Kong, by giving working men and women greater purchasing power.