

27 April 2022

Mr John Lee Ka-chiu, SBS, PDSM, PMSM
HKSARG Chief Executive Candidate
John Lee Ka-chiu Election Campaign Office
Unit 1805, Central Plaza
18 Harbour Road, Wan Chai
Hong Kong

By hand and email: info@johnlee2022.hk

Dear John,

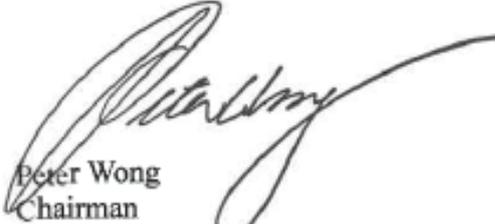
Proposals for A Better Hong Kong

Thank you for the opportunity of meeting with us on 18 April and sharing your thoughts on advancing Hong Kong's interests and well-being.

Further to that meeting, we would like to take the opportunity to set out on paper some initial proposals to achieve the common objectives of a stronger and resilient Hong Kong.

We hope you will find our suggestions to be useful and look forward to the opportunity of working closely with you.

Yours sincerely,


Peter Wong
Chairman

Encl

Paper by the Hong Kong General Chamber of Commerce
On Core Issues of Concern for the Hong Kong Business Community

A. Maintain an Open Border

As a premier business hub of international repute, Hong Kong cannot afford to close its borders to the world whether in terms of goods and people. Before the outbreak, more than 71.5 million passengers passed through Hong Kong in 2019. That number has since declined by 98%. External trade in goods and services is the lifeblood of Hong Kong's economy, accounting for over 400% of our GDP. Sustaining our standing as a global financial services and logistics centre is also in the strategic interest of the Mainland market. In that connection, it is of critical importance that the freedom of movement by people and goods across borders be preserved at all times to ensure Hong Kong's long-term well-being.

Given that close to half of the population has already been infected with Covid-19 and more than 90% of the population has been vaccinated, the risk of importing the virus from abroad is significantly lower. Based on these statistics, a ban on overseas travelers and on flights that inadvertently carry infected passengers arriving Hong Kong under the trigger system is therefore irrelevant. Existing safeguards that include checks at the airport and the quarantine of positive cases have and continue to work well and, as such, there should be no need to ban Hong Kong's air connections to the outside world. The cost of doing so overwhelmingly outweighs the benefits, given the sheer size of contributions that air services provide to the overall economy.

Serious consideration should be given to implementing vaccine mandates with exceptions provided to those who have been declared medically unfit by a neutral competent medical authority. Such an approach would be no different from that for compulsory vaccinations against BCG, Hepatitis, MMR, polio, tetanus, HPV and other diseases for children in Hong Kong.

We reiterate our call for a removal of the inbound quarantine requirement as Hong Kong has already reached herd immunity through high vaccination (and infected) rates. While a complete opening up may not be attainable immediately, there should be a roadmap for the economy to exit covid. This is important in providing visibility and to enable planning by individuals and businesses that would otherwise look to relocate to places with a more stable policy framework.

We understand and respect that the Mainland is dealing with its Covid containment issues and they have their own priorities as circumstances on the Mainland are different and it may take time to reopen borders with Hong Kong and other territories. That being the case, attention should be given to opening up Hong Kong to the rest of the world pending a reopening with the Mainland.

In this respect, the incoming administration should give top priority to ensuring that Hong Kong's global transport links and international supply chains continue to operate freely.

B. Improve Governance and Reform Public Services

We welcome the aspiring administration's result-oriented approach, and would suggest that this also include improving the efficiency and delivery of public goods and services as a core undertaking to reform the public sector. The accumulation of bureaucracy and administrative red-tape over the years are increasingly becoming a drag on the efficient and effective discharge of policies, which is evident from the approach to fighting the pandemic. Other examples include delays to providing public housing and other social services, as well as the release of land for construction.

Efforts should therefore be directed to promoting a transparent and result-oriented culture in the civil service ranks. In this regard, consideration should be given to a major overhaul of public sector administration and greater participation by the private sector in the decision-making process. This could be achieved by empowering the various government advisory boards with greater responsibilities beyond the existing brief of providing policy input to include the monitoring and evaluation of performance by government departments and public bodies. There is also the need to delegate further authority to district councils on such matters as managing livelihood issues, collating views and opinions and allocating resources.

We also suggest addressing inefficiencies in the delivery of public services by reviewing the existing practice of sharing data across government departments. To that end, consideration should be given to updating the Personal Data Privacy Ordinance to enable the better use of data to improve the provision of public services. To promote public support, there should be an undertaking to ensure that the principles of privacy, clarity and consistency are practiced in the sharing of data and after determining that there is a clear public benefit in doing so.

At the same time, we reiterate our call for the incorporation of a regulatory impact assessment (“RIA”), which is a standard practice across the world (including all OECD members) and accepted as a necessary part of good governance in policymaking. In addition to new legislation, RIAs should also be conducted for existing regulations to assess whether they are still “fit for purpose”, or can be scaled-back or removed. By ensuring that intervention is made only where necessary, RIAs will reduce unnecessary “red tape” and costs for businesses, a particularly important issue for SMEs. RIAs also have the virtuous effect of protecting Hong Kong’s international reputation for light-touch regulation, which is one of our greatest strengths.

C. Address Labour Shortage and Population Policy Issues

The issue of human capital is a recurring theme in our submissions to the Policy Address. In a survey that the Chamber conducted earlier this year, more than 38% of our members indicated they were suffering from a substantial loss in talent. The situation has become even more dire in recent months due to a combination of factors, one of which includes Hong Kong’s stringent social-restriction measures. While controlling the virus outbreak is understandably a matter of priority, allowing uninterrupted movement is also essential to avoid disruptions to society and the economy.

The social unrest three years ago and stringent social restrictions imposed since then to fight Covid have had the unfortunate effect of undermining the confidence of local talent and expatriates, which has in turn led to a significant outflow of our workforce. For Hong Kong’s economy, which is primarily service-driven, human capital is the key element that underpins our continuing success. Attracting talent to work in Hong Kong is therefore central to our long-term sustainability and development. As such, the incoming Government should consider restoring the public’s confidence in Hong Kong’s future by organising large-scale promotion programmes both locally and overseas. It should also proactively address issues of concern to the international community that include among others, travel restrictions, better living conditions, and the availability of international school places. In addition, consideration should be given to reviewing and enhancing existing worker migration schemes, which should include such incentives as eligibility for resident status.

The current policy on labour importation is another key issue that would benefit from a rethink. In recent years, Hong Kong has been experiencing chronic manpower shortages across a number of sectors, such as construction, old-aged and health care,

medical professionals and nursing, among others, due to a decline in the local workforce, excluding domestic helpers. While providing employment opportunities for local workers should be a policy priority, the reality is that there are insufficient people to fill positions in certain sectors despite intensive recruitment efforts over the years. A major revamp of the existing labour importation policy has become even more pressing given the declining birthrate, a shrinking workforce and the loss of talent.

In addition to policy emphasis on attracting talent and importing labour from outside Hong Kong, more should be done to foster the growth of Hong Kong's own domestic labour force, which is key to ensuring the long-term sustainable supply of labour, which is critical to our city's continued development and prosperity. For example, the new administration could consider policy tools such as tax incentives and child allowance to boost the local birthrate. Policy measures to help bring to market more and better childcare and domestic support services, improve vocational education and training, promote flexible working arrangements, and facilitate the female labour force participation rate, among others, would also be useful in growing and raising the productivity of the local workforce.

D. Rebuild Hong Kong's Image

As pointed out in our submission to the last Policy Address, active measures should be taken as soon as possible to present a positive image of Hong Kong to the international community. These could be achieved through a revival campaign that include a number of high-profile international Meetings, Incentives, Conventions and Exhibitions (MICE) events to put Hong Kong "back on the map".

Intensive promotion of Hong Kong in overseas markets by the Hong Kong Trade Development Council, InvestHK and Hong Kong Tourism Board, as well as through the appointment of prominent figures is also essential. At the same time, efforts should be directed to lifting Hong Kong's profile and restoring our standing on the Mainland as a safe, inclusive and welcoming place to visit, study, work and live.

The Chamber has been working hard over the past years to project a positive image of Hong Kong through such initiatives as organizing webinars with overseas chambers and personalities, and engagements with international media on Hong Kong's situation. We also suggest that the Government sponsor large-scale public activities, that could span the spectrum of business, culture or sports, organized by civil or trade bodies in Hong Kong to bring back vitality to the city

E. Improve Land and Housing Supply

There has been plenty of research on and recommendations to improve supply. That being the case, there has been no material improvement in accessibility to affordable housing. It is recognized that some changes would necessarily take time - especially where legislative instruments are concerned - but at the same time there are administrative measures that could be taken to address existing bottlenecks.

Some of the issues, which include those of a legislative and administrative nature, that would benefit from a review include:

- 1) Increasing plot ratios, especially for urban sites in the New Territories;
- 2) Lifting restrictions on or implementing new mechanisms to encourage land exchange, such as by easing premium negotiation with the broadened application of the Standard Premium Rate;
- 3) Promoting attitudinal and systemic changes needed within concerned Government departments to reduce conflict with the legitimate concerns and legal rights of private developers for the common good;
- 4) Relaxing regulations to speed up the redevelopment of brownfield sites;
- 5) Reviewing and enhancing the efficiency of the urban renewal process; and
- 6) Looking beyond Hong Kong to alleviate the current housing shortage, such as considering projects that enhance integration with the GBA.

The Chamber is preparing a paper with detailed recommendations on the above. If and when a review of existing policy is carried out, this should also take into account the needs and aspirations of the commercial and industrial sectors.

F. Develop resilience against future shocks

The disruptive impact of the pandemic has highlighted the damaging effects caused by unforeseen events of a global nature. These “Black Swan” events can happen very quickly or over a period of time, and can either be man-made or natural. Examples include climate change and cybersecurity attacks. To prepare for such contingencies, there should be efforts to:

- 1) Set up a cross-departmental agency with the power and capability to prepare for, protect against, respond to, recover from, and mitigate any potential hazards;

- 2) Update existing contingency plans and procedures to address potential emergencies and other catastrophic events. This includes devising strategies to contain, mitigate and minimise potential threats to essential services (such as Internet blackouts, water shortage, rising sea levels, power outage and the like);
- 3) Invest in bolstering the resilience of public infrastructure and utilities; and
- 4) Involve businesses in drawing up preparedness plans, whether on relocating away from flood zones, securing alternative supply chains, or transitioning away from carbon-intensive business models to safeguard against worse case scenarios.

G. Prioritise digital and sustainable goals

Hong Kong needs to reassert its international relevance with a coherent strategy that includes assuming the status of the preferred jurisdiction in Asia to manage and trade ESG assets and conduct sustainable finance. To do this, we need local companies that is fully conversant in and has in place the appropriate practices, a finance sector that is the best-in-class at raising and deploying sustainable finance, an array of best-in-class service providers that have access to a local talent pool, and a culture of excellence in regulators, attributes that would also have the virtuous effect of helping Hong Kong become a leader in the setting of global standards.

There is also the need for a renewed push into digital and new technologies, in particular digital finance, digital trade, and technology for net zero. In that regard, the Northern Metropolis Development Strategy and Lantau Tomorrow Vision offer unique opportunities for the development of net zero economies in Hong Kong, as well as providing a nurturing environment that is conducive to the growth of innovation, technology, and industries of the future.

Furthermore, consideration should be given to formulating and implementing a coherent and effective waste strategy that exemplifies and promotes a robust, comprehensive and adaptive local circular economy. This is in anticipation of an eventual end to exporting waste elsewhere and the need to address the domestic issue of municipal solid waste. To that end, there should more investment in expanding and upgrading Hong Kong's recycling capabilities to relieve pressure on landfills.

H. Strengthen Hong Kong's role as an International Financial Centre

The financial services sector is one of the more important pillar industries in Hong Kong and, as such, there should be continuous efforts and investments to nurture and

support its growth. In this regard, Hong Kong should continue to play an important and integral part in Mainland China's economic growth and financial reforms. The depth and breadth of experience that Hong Kong possesses in the development of China's financial markets is unrivaled – our open and free financial markets, common law legal framework, and modern regulatory oversight have been instrumental in helping promote confidence among international investors when holding RMB assets.

We should capitalize our status as the largest RMB offshore centre - Hong Kong accounts for 75% of the global offshore RMB settlement business - to assist and facilitate the internationalization of the RMB. Such aspirations are also aligned with the 14th 5-year plan in which the Central Government has alluded to the gradual internationalization of RMB. To that end, Hong Kong could position itself as a vanguard in piloting the popularization of RMB across capital markets that include such as financial activities as stock trading, bond offerings, among others.

I. Position Hong Kong as a Nasdaq of China

There is compelling need for a viable market for emerging companies and Hong Kong is well placed to serve as an IPO centre for New Economy companies based on lessons learnt from operating the Growth Enterprise Market (GEM) Board, one of which concerns liquidity. As set out in the 2006 Summary of Responses to the HKEX's GEM Discussion Paper, seven of the submissions recommended the introduction of market makers. However, the HKEX subsequently decided against making any changes to GEM's trading mechanism following a consultation exercise in 2007 as it was felt that such changes would not fundamentally improve the liquidity of stocks.

The market environment has since evolved with technological advances that engenders an efficient market making mechanism that is amenable to effective regulation. Notwithstanding the foregoing, we suggest revisiting the notion of a professionals-only market to ensure that Hong Kong can keep pace with developments in the fast-changing landscape of global capital markets.