

22 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,

Proposals from the British Chamber of Commerce (Hong Kong) in response to the NDRC policy release: "Outline of the Plan for the Reform and Development of the PRD"

I write on behalf of the British Chamber of Commerce in Hong Kong in response to the plan recently released by the National Development and Reform Commission in Beijing on development of the PRD region. We welcome the insight and ambition that this document provides for the future of Hong Kong and the PRD, as well as the opportunity it provides for Hong Kong to participate actively in shaping the region's future, hopefully at the same time consolidating our leadership role in the region.

The NDRC's Outline Plan provides a clear vision for the PRD, including Hong Kong and Macau, through to 2020 and beyond, clearly providing important guidance as detailed drafting begins in the near future on the country's 12th Five Year Plan. Importantly, the Outline recognises and endorses the PRD's role as a crucible for innovation and improvement in China. The British Chamber strongly supports this vision and the opportunities it presents, and provides detailed observations on the Outline Plan in the attached Appendix.

From here, the British Chamber believes two priorities emerge. First, a short list of priority tasks needs to be identified for specific implementation. Second, a clear basis for collaboration on these tasks is required – both between Beijing and the various Governments of the PRD, and between Governments and business.

On the first point, the Chamber's own examination of the Outline points potentially to the need to establish five priority "Task Forces:

1. A Task Force on Fostering Innovation
2. A Task Force on building the region's Logistics Infrastructure
3. A Task Force on building the region's skills pool (cross-boundary collaboration on education)
4. A Task Force on building the PRD's civic infrastructure (schools, health care, aged care, public transport, etc...)
5. A Task Force on Protecting the Environment

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As a leading representative of business in Hong Kong and the PRD, the British Chamber would be keen to support these on behalf of Hong Kong's business sector, and perhaps also to coordinate inputs from commercial chambers in Guangzhou, Macau, etc.

The British Chamber is less clear on how our region's governments plan to collaborate in achieving the objectives identified in the Outline, and seeks guidance from you on this. Advocacy and lobbying of central governments is a normal part of the development of the national policy process and we consider that strong advocacy from the HKSAR Government in developing specific plans, actions, and policies is essential. This will enable the other parts of the PRD to leverage Hong Kong's potential contributions, and to secure the future of Hong Kong as an economic leader both in the PRD region and nationally. A question inevitably arises on the adequacy of our Government's resources in pursuing this advocacy – particularly in Beijing, where Hong Kong currently has an office of 30, and Guangzhou, where just six people represent the SAR. Serious consideration should be given to adding to the strength of these offices to ensure optimal outcomes. Lobbying success could also be enhanced by recruiting individuals from outside Government, who have the connections and are experienced in the ways and means of achieving success and lobbying that may go beyond the normal expertise of our excellent Hong Kong officials.”

We look forward to hearing from the HKSAR Government on this. I confirm our support to you for the achievement of the Outline's vision and for the future success of Hong Kong. Should any clarification be sought on the points raised, our representatives would be happy to meet with your office.

Yours sincerely,

James Riley
Chairman

Where business gets done

Response by the British Chamber of Commerce (HK) to the NDRC policy release: Outline of the Plan for the Reform and Development of the PRD

Reference: "Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)" dated 2009-01-16

Appendix 1: Specific Comments

1. Building a Modern Industrial System (ref. Part III)

- a) BritCham's members in Hong Kong have extensive international experience for the Government to draw upon in realizing the vision described in this paper. This especially includes developing and expanding supporting infrastructures and adapting business in moving from manufacturing to service-based economies. This also includes supporting development of knowledge-based industries, as recently announced by the Chief Executive.

2. Strengthening Independent Innovation (ref. Part IV)

- a) We welcome the goal to make the PRD into the leading region of innovation for the country. As well as supporting the growth of Hong Kong, this is also fundamental for achieving other strategic elements of the Outline. It should be noted that centres for innovation often occur naturally, and are difficult to "make happen". However there are recognised methodologies for this; the key task being to establish a culture in which innovation can thrive, leveraging existing centres of innovation. To achieve the aspirations for innovation described in the Outline, we strongly recommend forming a specific joint task force comprising experts to develop an appropriate blueprint.
- b) There are a number of elements in the Outline that develop the technological capability of the PRD. This includes: vigorously developing hi-tech industries, developing infrastructure for innovation, and developing information networks for the PRD region. A number of BritCham members are already participating with the HKSAR Government on developing the Digital 21 strategy. It would be useful to extend this to assist developing and implementing the technology agenda for all of the PRD (also refer to Part V.4 of the Outline re the "Digital Pearl River Delta").
- c) We support the development of ICT infrastructure as a key aspect. We recommend that the HKSAR government sets out policies to support this and which enable private enterprise to make commercially sound investments.

3. Infrastructure Modernization (ref. Part V)

- a) We concur that coordinated development is definitely the preferred way forward for PRD infrastructure modernization, integrating with Hong Kong as appropriate. However it will be important that investment in infrastructure development is in line with expected demand (eg. trade), but not exceed this.
- b) Regarding public transportation, Hong Kong has best-in-class systems worldwide, and has worked hard over a long period to achieve them. We strongly recommend that the other parts of the PRD liaise closely with Hong Kong to leverage Hong Kong's knowledge and experience.
- c) Establishing more linkages between Hong Kong and the rest of the PRD through ICT infrastructure (eg. physically separate back office operations) will help to encourage private funding of infrastructure development across the PRD. The Government's role here will be to facilitate relevant and commercially attractive policies. This will also further leverage Hong Kong's ICT expertise into the rest of the PRD.
- d) Regarding port resources, there is a need for a cluster or regional approach to further port infrastructure development – in order to avoid exacerbating the current scenario of over-supply, which has arisen due to an isolated approach to port development.
- e) Further development and expansion of road and rail infrastructure is encouraged, and will support the logistics industry and related sectors in Hong Kong.
- f) In addition to above comments on development of ICT infrastructure in the PRD, such development will also be well received by the logistics sector. A collaborative approach to information, together with related transparency, is much needed to improve efficiencies. Again, in the area of e-Logistics, the PRD should draw upon Hong Kong's experience and expertise. The information networks and transparency principles should be extended throughout the regulatory environment (including Customs) in order for the logistics sector to gain efficiencies from the information platforms.

4. Urban, Rural, and Regional Development (ref. Parts VI, VII)

- a) The emphasis on improving the livelihoods of the rural areas is laudable. However, it will be important to ensure that this is not at the expense of the culture and heritage of these communities.
- b) Similarly, development growth must recognise the need for rapid urbanisation while at the same time improving all aspects of the environment. For instance, development and speed of construction must take into account the capacity of the region and existing natural environment to absorb it.
- c) Provision of clean water and the safe treatment and disposal of wastewater and solid waste must be at the centre of any development strategy.
- d) Land-use needs to be balanced and phased to meet both residential and employment demands – however, strategic transport links and public transport must be provided early in the process to ensure that investment is optimized.
- e) Similarly, the provision of institutional infrastructure and recreational facilities (eg schools, universities, healthcare, sports and recreational facilities) must keep pace with each phase of development.
- f) Development in rural areas needs to be sensitive to not only providing employment but also much needed rural infrastructure (eg water supply, public transport, and healthcare).
- g) Transport modes and networks must match development and operate in a fully integrated manner.
- h) Greater emphasis to be placed on improving air quality, the use of renewable technologies, and resource conservation.
- i) While development needs to be better coordinated and integrated throughout the PRD region (including Hong Kong), above all it needs to be sustainable.
- j) Accountable management of this rapid development and its timing will be critical to ensure that the mistakes are not made and that the benefits of the PRD strategy are not eroded. It is not clear who this will be. The respective roles of the government and private business need to be understood. It will also be essential to enforce planning standards and controls.
- k) Across the PRD, it needs to be understood how transparency will be maintained to avoid the misallocation of investment funds and the fair resolution of injustices.
- l) Wherever possible, adoption of economic means should be used to promote and control land utilisation and conservation.

5. Resource Conservation and Environmental Protection (ref. Part VIII)

- a) Cleaner energy generation is key to this expansive agenda. Nuclear energy is already recognized in the Outline as a key part of this. However, improved management of energy use (eg. regulating the users) is also critical (eg. stopping PRD factories generating their own power with relatively dirty fuel oil) as is the timely implementation of the August 2008 MOU between the HKSAR Government and the National Energy Administration of the Central People's Government which supports the continuous supply of natural gas to Hong Kong in the coming two decades.
- b) The Outline recognizes that pollution needs to be managed more. The planned goals appear to be appropriate; it is understood that measures will be made, and that efforts between land and marine administration will be integrated. A plan of what needs to be done is clearly the next step. For example, it is stated that (p68): "vigorous efforts will be made to solve the dusty haze problem". The causes of this problem first need to be understood before the symptoms can be addressed effectively (eg. see above comment re factory power generation).
- c) Water management is also key to support the planned growth. Quantifying the linkage between the water conservancy projects and the industrial expansion is warranted as a next step.

6. Development of Social Undertakings (ref. Part IX)

- a) We are pleased to see proposals to encourage and develop education, at all levels, within the PRD and, in particular, by Hong Kong and Macau universities developing cooperative institutions of higher education so as to enjoy a leading status in the world.
- b) There is tremendous scope for the PRD to become a leading education hub in the Asia-Pacific region. In order to achieve this, we believe the following should be considered in relation to tertiary institutions:
 - i. Develop the joint recognition of qualifications and the ability of Hong Kong institutions to offer Hong Kong and overseas qualifications in the PRD

- ii. Encourage Hong Kong universities to set up wholly-owned institutions in the PRD which would add diversity to the education offering
 - iii. Encourage the development of strategic partnerships between universities in the PRD, particularly in the areas of research
 - iv. Encourage the exchange of students on both undergraduate and postgraduate courses freely throughout the PRD (in this respect, it is pleasing to see that the Hong Kong Government has already lifted the quota for publicly funded courses)
 - v. Open the courses which are offered by non-UGC institutions and non-local programmes offered by other countries to mainland, Macau and Taiwanese students
 - vi. Attract overseas institutions into the PRD to open campuses by, for example, providing land. This would further help turn the PRD into an international educational hub
 - vii. Encourage programmes focusing on English language and international topics (e.g. international business, international law etc) to help develop the PRD as an International Financial Centre for China
- c) There are also excellent opportunities for the PRD to become a hub for world-class medical training, taking account of the large pool of internationally qualified medical experts in Hong Kong.
 - d) We strongly support the proposal for schools to be opened in the PRD for Hong Kong children and to expand exchange programmes between schools offering, in particular, courses in English language skills.
 - e) In the same way as for Infrastructure (see earlier comments), we recommend that the HKSAR Government sets out policies to support development of social undertakings and which enable private enterprise to make commercially sound investments.
- 7. New Administrative and Economic Systems, and Situations for Opening-up and Cooperation (ref. Parts X & XI & XII)**
- a) It is anticipated that the UK will also be called on in PRD's "expanding [it's] cooperation with EU and NAFTA on economy, technology, talent, and trade" (p118) – BritCham should and can be a key part of this in Hong Kong, Guangzhou, etc.
 - b) Raising the level of foreign investment utilization (p105) is also something that the international chambers can help with, for instance by assisting awareness with members. Qualitatively, the planned Government investment in the PRD will be attractive to foreign companies. However, any intended financial investment by the Government to help "seed" additional foreign investment should be understood, particularly in the current economic climate. Separately, the measures to be used in "restrict[ing] the access by low-level, high-pollution, and high-energy-consumption foreign investment projects" need to be understood.

Conclusions

The Outline provides a clear vision for the PRD, and provides a basis for future Government and business planning. However, the development of appropriate and specific implementation plans is essential for fulfilment of this vision. It is also important for both Hong Kong and the region that the extant strengths that Hong Kong can offer are properly leveraged. We strongly recommend that joint task forces be formed comprising experts from both government and the business sector to develop specific implementation plans. We envisage five task forces being set up, one on each of the following areas. We look forward to working with the HKSAR Government through these task forces in helping to achieve the Outline's vision.

- **Fostering Innovation** – to incorporate recognised methodologies in developing a blueprint to establish a culture in which innovation can thrive and leverages existing centres of innovation.
- **Building Logistics and ICT Infrastructure** – to support the HKSAR government in establishing policies which enable the PRD to leverage Hong Kong's strengths and enable private enterprise to make commercially sound investments.
- **Building the region's skills pool** – to foster cross-boundary collaboration on education and developing programmes focusing on English language and international topics to help develop the PRD as an International Financial Centre for China.
- **Building the PRD's civic infrastructure** – to ensure that development of schools, health care, aged care, public transport, etc., keep pace with the implementation of other plans, and make it easier for HK people to settle in the PRD.
- **Protecting the environment** – to develop specific plans for the generation of cleaner energy and water management in line with the industrial expansion, with a regional view in establishing and placement of new power generation plants for the PRD.