



**The Canadian
Chamber of Commerce
in Hong Kong**

La Chambre de Commerce Canadienne à Hong Kong
香港加拿大商會

December 11, 2015

Mr. C.Y. Leung

Office of the Chief Executive
Hong Kong Special Administrative Region,
Tamar, Hong Kong

Dear Chief Executive,

The Canadian Chamber of Commerce in Hong Kong (CanCham) would like to take this opportunity to submit comments and recommendations for the Chief Executive's 2016 Policy Address and the Budget Consultation for the 2016-2017 fiscal year.

Our Chamber is committed to working collaboratively with the HKSAR government to strengthen Hong Kong as Asia's world city, as well as to address long-term economic and social challenges in Hong Kong.

We respectfully list our recommendations in the attached Submission. It addresses the following four subject areas:

1. Financial Services
2. The Environment
3. Education
4. Overall Business Environment

As appropriate, CanCham would be pleased to provide further details of our views on any of these subject areas.

Yours sincerely,

Philip Leung
President, The Canadian Chamber of Commerce in Hong Kong

c.c. Mr. Lawrence Nutting
Chairman, The Canadian Chamber of Commerce in Hong Kong



**The Canadian Chamber of Commerce in Hong Kong
Submission for the Chief Executive's 2016 Policy Address**

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Introduction

The Canadian Chamber of Commerce in Hong Kong (CanCham) supports the Chief Executive's vision of maintaining Hong Kong's role as a "super-connector", boosting Hong Kong's competitiveness in the international and Mainland markets, and safeguarding the rule of law as the cornerstone of our prosperity and stability.

The Chamber recognises the fact that Hong Kong's development into a world metropolis is the combined effort of many generations and many sectors, and is not to be taken for granted. Far-sighted policies and effective implementation are key if we want to successfully address long-term economic and social challenges in Hong Kong.

It is imperative for the business community, including CanCham, to work collaboratively with the HKSAR government to strengthen Hong Kong as Asia's world city. Hong Kong is Canada's sixth largest trading partner. Moreover, the strong presence of the Canadian community, including the 200+ Canadian firms located in Hong Kong, as well as the 300,000+ Canadian passport holders here, are key strengths that contribute to Hong Kong's stature as a world class metropolis. CanCham will continue to foster conditions which maintain or increase such strengths.

It is important that the government leverage the city's strategic location as a regional and global business hub to further develop the city's economic prosperity and vibrancy. Hong Kong should embrace China's 13th Five-Year Plan, continue implementation and updating of CEPA, and further position of Hong Kong as a superior bi-directional gateway between China and the world, including Canada. We strongly support Hong Kong's efforts in capturing opportunities presented by the advent of the Belt and Road initiative and the Asian Infrastructure Investment Bank, while calling for more detail to be released about these important initiatives.

As a testament of our Chamber's engagement and contribution to efforts in developing the city's connectivity and economic prosperity, in early June 2015 the Chamber led a delegation of 16 senior executives from Hong Kong in support of the "Think Asia, Think Hong Kong" initiative in Toronto. Indeed, we chaired a well-received thematic session "Selling to China and throughout Asia", showcasing how Canadian companies can better expand their business in Asia, especially the Chinese mainland, by utilising Hong





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Kong's numerous advantages and expertise. Noting the success of "Think Asia, Think Hong Kong", CanCham suggests follow-up events in Vancouver, Calgary and Montreal in future years.

A world class metropolis has to be sustained by a world class vision. Hong Kong's vision needs to include the creation and maintenance of favourable conditions for local entrepreneurs to start new ventures, sustain businesses and create employment. Hong Kong needs to liberalise trade in services with the Mainland, especially Guangdong. Another priority is to revitalise the education curriculum particularly in science, technology, engineering and mathematics (STEM), as well as to support youth development activities including starting their own businesses. The development of innovation and technology is a related priority and in this regard, we applaud the HKSAR government's recent establishment of the new Innovation and Technology Bureau.

CanCham is particularly keen to help build further competitive advantages for Hong Kong in its unique interactions with Mainland China, Canada and the rest of the world. We will contribute towards development of best practices in financial services, environment, education, trade, entrepreneurship, and innovation & technology. In the last year, we have started a program of periodic engagement with key policy secretaries, including the Development, Education and Financial Secretaries. We pledge to continue, strengthen and expand such engagement. We urge the government to refresh and articulate a clear long-term vision for the city within the 2016 Policy Address. In that regard, we recommend the following areas and policy recommendations be considered for inclusion in this Policy Address:

1. Financial Services

CanCham welcomes the Chief Executive's establishment of the Financial Services Development Council in 2013. The Council helps the city adopt a long-term roadmap for the sustained development of the financial services industry. We are keen to engage and help the Council map out the strategic direction for the development of Hong Kong as an international financial centre.

Renminbi

We recognise that Hong Kong, as China's major offshore RMB center, has a unique role to play in the internationalization of the Renminbi. Hong Kong should continue to develop China-related products, such as offshore RMB, RQFII, and wealth management. In conjunction with Canada's two financial centres in Toronto and

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Vancouver, there are opportunities to explore for Canada and Hong Kong to collaborate in fostering the Renminbi internationalization in the near future.

Funds

We urge the government to make relevant adjustments in its legislation to strengthen Hong Kong's stature as a premier hub for venture capital, angel investment and private equity. We are optimistic that the encouragement of fund setup in Hong Kong will help broaden our city's tax revenue base as well as help create new job opportunities.

Private Wealth Management

Hong Kong is uniquely positioned to further develop itself as a regional private wealth management center due to the growth in HNW population and wealth in Greater China region. However, the increasing compliance and regulation requirements have added on significant burden to the industry. In the past few years, new requirements on information exchanges, tax, Anti-Money Laundering and investment suitability have impacted client experience, increased the need for compliance resources and investment on system automation. Some of the requirements have become excessive. While wealth managers continue to invest in system automation, many find it impossible to catch up with the pace of new regulations. The new requirements have also negatively impacted the productivity of front line staff and scared away some veteran bankers. All these factors together are making it difficult for most industry players to operate viable businesses. In Hong Kong, these requirements have limited the growth of the wealth management industry and the related employment. The industry is at a tipping point where high compliance burden has hindered growth and some players have decided to exit or have chosen to relocate their regional hubs.

We would like Hong Kong regulators to join forces to streamline the various regulatory requirements on the private wealth management and reduce overlaps. One suggestion is that the Financial Services Development Council could take a lead in coordinating this effort with different regulators. In order to attract more wealth managers to set up regional hubs in Hong Kong (versus Singapore) and support existing ones in developing their businesses, it is imperative that the government takes a more active role in improving the overall operating environment as a regional wealth management center.

2. Environment

CanCham wants to ensure that Hong Kong becomes one of the best places to do business in a sustainable manner. This involves balancing the pragmatic needs of the commercial sector with the significant environmental and social challenges in front of us as a city.

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While there are a number of sustainability issues to be addressed, we provide input on the following three environmental areas of focus for 2016-2017 for your consideration.

Roadside air quality

Air quality, particularly roadside air quality, has been one of most prominent issues for Hong Kong for the past 15 years or more which has a direct negative impact on health and Hong Kong's attractiveness as a place to do business and attract talent. More community education and engagement on the benefits of cleaner air is needed to increase support for road transport and marine vessel solutions and to put into context any potential costs associated with them. Greater focus on electronic road pricing, pedestrian zones (such as the Des Voeux Road Central Pedestrianization Initiative) and more comprehensive cycle paths are also recommended. Clean air should be recognised as a public good and sufficient public funds should also be allocated to implement the necessary initiatives to support cleaner air in Hong Kong. Finally, the Chamber supports the Government's Clean Air Plan and the focus should now be on implementing the identified initiatives as well as any other viable initiatives with definitive target dates.

Building energy efficiency

Buildings consume the vast majority of the city's electricity with air-conditioning being the largest end-use of electricity followed by lighting and office equipment. The Chamber supports the Government's Energy Savings Plan and encourages efforts in enabling and incentivising stakeholders to invest and undertake energy efficiency and conservation measures in an integrated manner involving policymakers, property developers, building designers, building managers and of course building users. Energy savings priorities should focus around building design, energy efficient appliance selection and adoption as well as user behaviour with the appropriate measures to deal with the inherent complexities such as existing building stock versus new buildings. The challenge for existing buildings is to encourage and align stakeholders in adopting energy saving measures since the costs are typically paid by the landlord and the benefits may go to different stakeholders such as the tenant or the building management office. This alignment can be done through a combined effort of education, energy audits, building and appliance energy efficiency standards, regulatory incentives and support through the appropriate energy efficiency financing and funding mechanisms. Technology will also play an important role in building energy savings such as smart meters which are able to provide greater amounts of meaningful information on energy consumption which allows building owners and users to make better informed decisions in their energy use and in turn reduce business costs.

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Waste management

There is an increasingly urgent need to establish sustainable solutions for waste management in Hong Kong. Note that Hong Kong is one of the most wasteful, least recycling, population centres in North-East Asia, with Taiwan, South Korea and Japan being far ahead in achieving world-class waste management practices. While the Chamber supports the Government's initiatives being taken forward to achieve the waste reduction target set out in the Blueprint for Sustainable Use of Resources – 2013-2022, there is still much to do in order to achieve the desirable results. As the three existing landfills will be progressively full within 5 years, there is an increasingly pressing need to expedite the extension of landfills and the development of waste-to-energy facilities. A waste charging system, with respect to municipal solid waste and any other sectors, should be introduced as an incentive to drive behavioural change while development and funding of the recycling industry needs to be implemented as quickly as possible. The Chamber urges more communication on the interim results and outlook of the action plans with updated implementation timeframes to address the progress and achievability of the waste reduction target. We recommend more public education and promotion to be undertaken while working closely with stakeholders in order to increase public support and address sustainable waste management as a priority for Hong Kong.

3. Education

A prosperous Hong Kong depends on our ability to produce, attract and retain world-class talents. CanCham believes Hong Kong needs to be far more ambitious in this area, with an eye on developing an education sector that will stand out globally because an effective and forward-looking education system is fundamental to Hong Kong's future. CanCham urges the Hong Kong government to work with the education sector to build a more structured and transparent approach to long-term planning and access to quality education.

We urge the government to help alleviate the shortage of student spaces in international schools. The chronic shortage is caused by a lack of a holistic planning which anticipates and accommodates the incoming international and Mainland families to Hong Kong. It also reflects concerns of local families about the quality of education provided at many local schools. This will continue to negatively affect Hong Kong's competitiveness in attracting foreign talents who contribute to the international capabilities of Hong Kong's workforce. The continued low quality of education provided at many local schools will also prevent Hong Kong's students from realizing their potential and contributing to the talent pool upon which the business sector depends. This must be remedied.



The recent renewal of the science and mathematics curriculum is a step in the right direction. We also support the government's recent establishment of the Youth Development Fund to support activities such as matching funds for NGOs to assist young people in start-ups. We would encourage the government to fully implement and expand this programme.

4. Overall Business Environment

Free Trade Agreements & Negotiations

CanCham congratulates the government on the successful conclusion of the third round of Hong Kong-ASEAN Free Trade Agreement (ASEAN FTA) negotiations in March 2015. We look forward to the signing of the agreement by the end of 2015 as well as implementation in 2016 in line with comments made by the Chief Executive in April of this year.

We continue to call on the government to ensure that the ASEAN FTA covers comprehensive market access for all sectors of goods and services, high-standard protection of investments and intellectual property rights, and strong customs facilitation and enforcement, especially over free trade zones and special economic zones. We also call for vigilance in ensuring that these characteristics are maintained in practice during the implementation phase.

Following the signing of the ASEAN FTA, CanCham urges the Hong Kong government to join the ongoing RCEP discussions in order to ensure Hong Kong is not left out of a vital regional trade agreement. In the same vein, should the Trans-Pacific Partnership be ratified and implemented, CanCham urges Hong Kong to seek accession to this Agreement in order to keep Hong Kong deeply enmeshed in regional and global goods and services value chains.

We continue to support the Government's participation in Trade in Services Agreement (TISA) negotiations and hope for the conclusion to negotiations, preferably before the end of 2016.

Regarding the Closer Economic Partnership Arrangement (CEPA), CanCham welcomes the November 2015 signing of the subsidiary Agreement between the Mainland and Hong Kong on trade in services and the achievement of most-favoured nation status in regards to services. However, in light of past reports of inconsistent implementation of CEPA in different Mainland localities, the Hong Kong Government should continue to work with the Mainland Government to address such inconsistencies whether through the Joint Working Group framework or otherwise.



Economic Co-operation

CanCham supports the government's long-term development plans in greater economic cooperation and integration with the cities in the Pearl River Delta such as Qianhai, Nansha and Hengqin. Collectively CanCham's many member companies provide an excellent pool of know-how and resources to help Hong Kong prosper in the impending integration and transformation of the Delta into a global economic powerhouse.

Freedom of the Press

CanCham notes with concern that Hong Kong continues to fall in the Freedom of the Press rankings published by Freedom House and related rankings done by other reputable organizations. Hong Kong is now ranked as only 'partly free'. CanCham would like to see the government take proactive steps to reverse the ongoing degradation of Hong Kong's press freedom. A free press is essential to fostering a robust and efficient business environment and has historically been a source of great strength for Hong Kong.

5. Conclusion

To conclude, CanCham believes that the Hong Kong government's top priority is to provide a stable and healthy business environment. To this end, it must provide a good living environment, continue improving Hong Kong's lead as a major international finance centre; maintain and improve Hong Kong's international character including press freedom and education; honor one country, two systems; and uphold the rule of law. It is important for Hong Kong to work towards a future as a genuinely world-class city. We will continue to work with the HKSAR government towards achieving the common interests of the Hong Kong community.

About CanCham

Founded in 1977, the Canadian Chamber of Commerce in Hong Kong (CanCham) is a proactive, non-government body that provides an extensive networking platform for some 1,000 members with business interests in Canada, Hong Kong, Mainland China, and the broader Asia-Pacific region. CanCham is one of the largest Canadian business organizations outside of Canada, one of the leading and most active international chambers in Hong Kong, and an influential business group in Asia-Pacific. The Chamber's strengths are built on the diversity of its members who range from blue-chip and well-known corporate names through to start-ups.