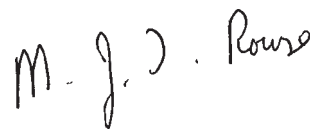


MESSAGE

Over the last 40 years, Hong Kong has achieved great success and prosperity. We earned our reputation as the best place in the world for business. We have the world's No. 2 container terminal, the world's longest joint road/rail suspension bridge, one of the world's top international airports, per capita GDP surpassing that of a number of major industrialised economies, and so forth. Yet past achievement is no guarantee of future success. Nor can we afford to be complacent, in good times or bad.

Manufacturing of low value-added products gave Hong Kong its past success. Now, servicing is what Hong Kong people do best. We are proud to see Hong Kong become the pre-eminent services centre in the region. As a responsible government, we need to work together with private citizens and businesses to sustain this development. We need to make Hong Kong even more competitive and productive. Besides working hard to put the right physical infrastructure in place, we want to ensure that soft infrastructure is there to support our service economy. Since the establishment of the Business and Services Promotion Unit in May 1997, the Services Promotion Programme has covered 152 tasks, including 125 initiatives identified by the Final Report of the Government Task Force on Services Promotion, and 27 initiatives in the 1997-1998 and 1998-1999 Action Agendas. Already we have started work on the 1999-2000 initiatives.

All these initiatives have the direct or indirect aim of further enhancing Hong Kong's economic efficiency and productivity. Efficiency and productivity are the key to our future. They are the engine that will move us ahead strongly into the next millennium. Let's join hands in these efforts.

A handwritten signature in black ink that reads "M. J. T. Rowse". The signature is written in a cursive, slightly slanted style.

(M J T Rowse)

Director, Business and Services Promotion Unit

PRE-EMINENT SERVICES CENTRE

Our Policy Objective is to maintain and enhance Hong Kong's position as a pre-eminent services centre in the region.

Our targets this year in pursuing this Policy Objective are to maintain –

- satisfactory business sector recognition of Hong Kong's position as a services centre
- Hong Kong's position as one of the most attractive locations in Asia for service and management activities as ranked by prestigious ranking agencies

Progress Made

In the past year, we continued to implement initiatives included in the 1997-1998 and 1998-1999 Action Agendas on Services Promotion. Except for one consultancy study (to establish an information system on competitiveness measures taken by other economies) which experienced some delay, all initiatives have either been satisfactorily completed or are in progress as scheduled.

The year's highlights include the organisation of a very successful brainstorming Tripartite Forum where over 130 top business leaders, senior officials and leading academics exchanged ideas on Hong Kong's economic strategy; the establishment of a new homepage "Doing Business in Hong Kong" on the Internet for investors to obtain relevant information; the production of a new "Hong Kong at Your Service" video for overseas investors; the near completion of preparatory work for the launching of the Electronic Service Delivery Scheme in 2000; and a Webpage Design contest that successfully raised awareness amongst students and the local public of the importance of our service economy. In addition to the above, we maintained close contact with various local and international Chambers of Commerce in an effort to promote Hong Kong and to communicate effectively with the business sector.

We are pleased that we were able to meet our two policy objective targets. During the past year, the American, German and French Chambers of Commerce released survey results which affirmed their members' favourable opinion of Hong Kong as the services centre in the region. The Fraser Institute and the Heritage Foundation continued to rate Hong Kong in 1999 as the freest economy in the world, and IMD (Institute of Management Development) International ranked Hong Kong behind only the USA and Finland as the world's third most attractive location for services and management.

KEY RESULT AREAS (KRAs)

To ensure that this Policy Objective can be achieved, we must continue to promote the development of Hong Kong’s service industries and deliver results in a number of areas, that is, we must –

1	Spearhead strategic thinking on the future development of our service economy	Page 3
2	Strengthen institutional support for the services sector	Page 6
3	Implement worthy industry-specific initiatives	Page 11
4	Enhance international recognition and local understanding and support for our service economy	Page 14

1

Spearhead strategic thinking on the future development of our service economy

The last two decades have seen the transformation of Hong Kong from a low value-added, manufacturing-oriented economy to one which is technology-based and services-oriented, as well as the development of a symbiotic economic relationship between Hong Kong and the Mainland. We need to map out our strategy to strengthen our position in order to sustain economic growth.

Progress Made

In 1998, we pledged to increase the degree of understanding of key economic issues affecting the development of our service economy. To this end, we had organised a very successful Tripartite Forum in January 1999 where over 130 top business leaders, senior officials and leading academics in Hong Kong exchanged ideas on Hong Kong's economic role and strategy. The forum generated many useful ideas relating to competition and liberalisation, quality of life, innovation and technology, etc. We are now organising another similar event in the coming year.

The other initiatives under this KRA are progressing smoothly.

To achieve results in this area, various initiatives have been undertaken in previous years. Details are set out below –

Initiative *	Target #	Present Position +
To organise a forum to facilitate exchange of views on Hong Kong's service economy <i>(Hong Kong Coalition of Service Industries (HKCSI))</i>	To organise the forum before March 1999 <i>(1998)</i>	The forum was organised in January 1999. <i>(Action Completed)</i>

* the bracketed information denotes the agency with lead responsibility for the initiative

the bracketed information denotes the year in which the target was set

+ the bracketed information denotes the status of the target

Initiative	Target	Present Position
To commission an economic study of Hong Kong's producer services <i>(Trade and Industry Bureau)</i>	To commission and complete the study within 1999 <i>(1998)</i>	The University of Hong Kong has successfully applied for \$1.2 million from the Industrial Support Fund to undertake the study which started in December 1998. <i>(Action in Progress: On Schedule)</i>
To study how Hong Kong can take full advantage of the growth of the services sector in the Mainland and how it may best service overseas businesses investing in the Mainland economy <i>(Hong Kong Trade Development Council (TDC))</i>	Completion within 1999 <i>(1998)</i>	A study on the various strategies on how Hong Kong could take advantage of the opportunities presented by the Mainland market was conducted by TDC in January 1999. <i>(Action Completed)</i>
To co-ordinate a government response to "The Hong Kong Economic Policy Studies" <i>(Government Economist (GEcon))</i>	To monitor publication of new study reports and take action once a report is available <i>(1997)</i>	The GEcon has consolidated government responses in respect of 11 of the studies and is working on the other seven studies that have been published. The responses can be seen on the Internet homepage of the Business and Services Promotion Unit. <i>(Action in Progress: On Schedule)</i>

Looking Forward

In the next 12 months, we will assess our performance in respect of this KRA against the following indicator –

Indicator	1999 Target
Degree of understanding of key economic issues affecting the development of our service economy	To achieve an increased level of understanding through seminars and studies with community-wide participation

We will undertake the following initiatives to deliver results in this area –

Initiative	1999 Target
To review and clarify our economic policy and articulate a clear, concise economic blueprint <i>(Financial Services Bureau)</i>	To complete the review within 2000
To organise an economic forum bringing businessmen, academics, officials and politicians together <i>(HKCSI)</i>	To organise the forum by end-1999

2

Strengthen institutional support for the services sector

Business does not flourish in a vacuum. We must ensure that we put in place institutional and infrastructural arrangements that will assist business operations and economic activities in general.

Progress Made

We have made good progress in this area. In addition to initiating a number of studies which are either progressing or have been completed as scheduled, we have established a Small and Medium Enterprises Office and an Information Centre to help small businesses. We commissioned a review to examine the institutional arrangements for the promotion of inward investment, completed a study on the information needs of local and overseas businessmen and established a new Internet homepage accordingly, and initiated a series of actions that aimed to improve the “after-sales” services for foreign investors in Hong Kong.

To achieve results in this area, various initiatives have been undertaken in the past years. Details are set out below –

Initiative	Target	Present Position
To consider the desirability and feasibility of transferring responsibility for promoting inward investment to the Hong Kong Trade Development Council <i>(Trade and Industry Bureau (TIB))</i>	To commission and complete a study within 1999 <i>(1998)</i>	The consultancy study has been completed and its recommendations are being examined. <i>(Action Completed)</i>

Initiative	Target	Present Position
<p>To develop a strategy to improve dissemination of government information relevant to the business sector through the Internet</p> <p><i>(Information Services Department (ISD))</i></p>	<p>Completion within 1999 <i>(1998)</i></p>	<p>ISD has completed two consultancy studies on the comparison of the newly created business homepage with other international homepages and on the information needs of local and overseas businessmen. Based on the findings of the studies, ISD has revised the homepage and is now formulating a new strategy on the dissemination of business information on the Internet.</p> <p><i>(Action in Progress: On Schedule)</i></p>
<p>To undertake a study of the best overseas practices in manpower forecasting and consider a manpower forecasting model best suited for Hong Kong for the next ten years</p> <p><i>(Education and Manpower Bureau (EMB))</i></p>	<p>Completion within 1999 <i>(1998)</i></p>	<p>A consultancy study on the best overseas practices in manpower forecasting has been completed. We are considering the development of a manpower forecasting model best suited to Hong Kong.</p> <p><i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To improve the “after-sales” service for overseas businesses established in Hong Kong (TIB)</p>	<p>Completion within 1999 (1998)</p>	<ul style="list-style-type: none"> ● The One Stop Unit (OSU) of the Industry Department has contacted over 260 Multinational Corporations (MNCs). The Director-General of Industry has hosted seven dinners for MNC senior executives. ● The OSU continues to liaise closely with 24 major overseas industrial and trade organisations and overseas Chambers of Commerce in Hong Kong. ● The OSU has contacted some 320 newly registered overseas companies. ● The OSU has made some 230 follow-up visits/calls to companies newly set up in Hong Kong. ● The OSU is providing some 710 companies which it has visited with up-to-date information on government-support programmes and other relevant schemes on a continual basis. <p><i>(Action in Progress: On Schedule)</i></p>
<p>To study the manpower and training needs of the information technology (IT) sector (EMB)</p>	<p>Completion by mid-1999 (1998)</p>	<p>The consultancy on the manpower and training needs of the IT industry has been completed. We are considering with relevant government bureaux and departments how best to take forward the recommendations.</p> <p><i>(Action Completed)</i></p>
<p>To study the idea of business parks (TIB)</p>	<p>Completion by 2000 (1998 and 1997)</p>	<p>Stage One of the study on the need or otherwise for a business park in Hong Kong has been completed. The recommendations of the study are being examined.</p> <p><i>(Action in Progress: On Schedule)</i></p>

Initiative	Target	Present Position
<p>To study the manpower and training needs of the travel and tourism sector <i>(EMB)</i></p>	<p>Completion by early 1999 <i>(1997)</i></p>	<p>The consultancy study on the manpower and training needs of the travel and tourism sector was completed in early 1999. We are considering with relevant government bureaux and departments how best to take forward the recommendations. <i>(Action Completed)</i></p>
<p>To continue to co-ordinate and monitor the implementation of the services promotion initiatives kick-started by the former Government Task Force on Services Promotion <i>(Business and Services Promotion Unit (BSPU))</i></p>	<p>To continue in 1998 <i>(1997)</i></p>	<p>In early 1998, we reviewed the reporting format and decided to group related initiatives into a series of themes for more focused reporting and discussion. So far, we have put seven theme papers to the Services Promotion Strategy Group. <i>(Action in Progress: On Schedule)</i></p>
<p>To consider the case for providing additional convention facilities <i>(Economic Services Bureau (ESB))</i></p>	<p>Conclusion within 1999 <i>(1997)</i></p>	<p>ESB commissioned a two-stage consultancy study in 1998. The study has been completed and we are considering the way forward. <i>(Action in Progress: On Schedule)</i></p>
<p>To establish a mechanism to obtain key information on measures taken by other major economies to enhance competitiveness <i>(BSPU)</i></p>	<p>To establish the mechanism in 1998 <i>(1997)</i></p>	<p>Consultation with parties concerned has taken slightly longer than expected. The consultancy on this subject was completed in June 1999. We are now in the process of setting up the initial database. <i>(Action in Progress: Behind Schedule)</i></p>

Looking Forward

In the next 12 months, we will assess our performance in respect of this KRA against the following indicator –

Indicator	1999 Target
Timely identification and launch of specific initiatives to strengthen the provision of modern institutional support	Formulation of initiatives as part of the 2000-2001 Action Agenda in April 2000 and launch by mid-2000

We will undertake the following initiative to deliver results in this area –

Initiative	1999 Target
To conduct a stock-taking survey of all continuing and professional courses available to the working population in Hong Kong (EMB)	Complete the stock-taking exercise within 2000

3

Implement worthy industry-specific initiatives

Individual bureaux and departments are usually hard pressed to cope with their designated responsibilities. We need to ensure that the Administration focuses on worthy industry-specific initiatives that might otherwise not receive the required attention or priority.

Progress Made

We assisted a number of bureaux and departments in identifying and launching worthy industry-specific initiatives. Substantial progress has been made in the areas of facilitating electronic commerce in Hong Kong, promoting Hong Kong as an international shipping centre and supporting government bureaux and departments in organising international conferences.

To achieve results in this area, various initiatives have been undertaken in the past years. Details are set out below –

Initiative	Target	Present Position
To study the application of electronic commerce in Hong Kong <i>(Information Technology and Broadcasting Bureau)</i>	To complete the study and introduce legislation in 1999 to provide the necessary legal framework for electronic commerce <i>(1998)</i>	The Electronic Transactions Bill which seeks to provide a clear and secure legal framework to facilitate electronic commerce in Hong Kong was introduced into the Legislative Council on 14 July 1999. Preparation is being made for the Hongkong Post to provide a public certification service by end-1999 and for the implementation of Phase I of the Electronic Service Delivery scheme in the latter half of 2000. <i>(Action Completed)</i>
To set up a special team to provide logistical support to bureaux and departments organising international conferences in Hong Kong <i>(Information Services Department)</i>	Completion within 1999 <i>(1998)</i>	The International Conferences Team was set up on 1 April 1999. <i>(Action Completed)</i>

Initiative	Target	Present Position
To examine the case for promoting Hong Kong as Asia's wine trading centre by improving the bonded warehouse system and taking other necessary measures <i>(Finance Bureau/Trade and Industry Bureau)</i>	Completion within 1999 <i>(1998)</i>	A consultancy study has been commissioned. <i>(Action in Progress: On Schedule)</i>
To promote Hong Kong as an international shipping centre <i>(Economic Services Bureau)</i>	To commission and complete a study within 1999 <i>(1998)</i>	On advice of the Port and Maritime Board, an in-house study to recommend a package of measures to attract shipowners to Hong Kong was concluded in December 1998. A comprehensive report on the promotion of Hong Kong as an international shipping centre was finalised in June 1999 and the recommendations are being implemented. <i>(Action Completed)</i>

Looking Forward

In the next 12 months, we will assess our performance in respect of this KRA against the following indicator –

Indicator	1999 Target
The timely identification and launch of industry-specific initiatives	Formulation of initiatives as part of the 2000-2001 Action Agenda in April 2000 and launch by mid-2000

We will undertake the following initiatives to deliver results in this area –

Initiative	1999 Target
To critically evaluate how to turn Hong Kong into a world-class visitor/resort/ convention/ gaming destination with all the related facilities this may entail <i>(Home Affairs Bureau)</i>	Conclude the evaluation exercise within 2000
To develop a comprehensive harbour plan to exploit the potential of the harbour for tourism and leisure purposes <i>(Planning, Environment and Lands Bureau)</i>	Formulate the plan within 2000

4

Enhance international recognition and local understanding and support for our service economy

Promotion of international awareness of Hong Kong's strengths as a global and regional services centre will put us on the world's economic map and strengthen our competitive position. Local understanding of the importance of the services sector to our economy will help people prepare themselves for the challenge of further developing our economy and nurture a culture of quality service.

Progress Made

We have implemented a number of publicity programmes which enabled us to increase both international recognition and local awareness of our service economy. We have produced a new video entitled "Hong Kong at Your Service" and have distributed it to all 11 overseas Hong Kong Economic and Trade Offices as well as overseas offices of the Hong Kong Trade Development Council (TDC) and the Hong Kong Tourist Association (HKTA). We also produced a TV commercial entitled "Service Provider" and it is being shown on the Airport Express and Cathay Pacific Airways' incoming flights. A new pamphlet entitled "Which International Business Centre in Asia?" was also published and distributed for overseas investors. More publicity programmes are being planned.

To achieve results in this area, the following initiative has been undertaken in the past years –

Initiative	Target	Present Position
To devise and implement a publicity programme to enhance international recognition of Hong Kong's service strengths, as well as enhance local understanding of and support for Hong Kong as a quality service provider and pre-eminent services centre in the region <i>(Business and Services Promotion Unit (BSPU))</i>	<ul style="list-style-type: none"> To devise a programme in collaboration with Information Services Department in 1998 To implement the programme within 1999 <i>(1998)</i>	The publicity programme was devised in mid-1998 and is being implemented. <i>(Action Completed)</i>

Looking Forward

In the next 12 months, we will assess our performance in respect of this KRA against the following indicators –

Indicator	1999 Target
Degree of the international business community's awareness of Hong Kong as a services centre in the region	To achieve an increased level of awareness as reflected by visits/surveys/reports by foreign business organisations and international rating agencies
Degree of the local community's awareness of the service orientation of the economy	To raise the awareness of the general public of the significance of productivity and competitiveness enhancement

We will undertake the following initiatives to deliver results in this area –

Initiative	1999 Target
To formulate and market a strategic plan to promote Hong Kong as an international financial centre for the region <i>(Financial Services Bureau (FSB))</i>	Finalise the strategic plan within 2000
To take systematic measures to enhance influential credit ratings agencies and international economic organisations' (such as the Heritage Foundation and World Economic Forum) understanding of Hong Kong <i>(FSB)</i>	To implement the measures within 2000
To organise a Hong Kong delegation to the World Services Congress to be held in Atlanta in late 1999 <i>(Hong Kong Coalition of Service Industries)</i>	Delegation to attend the Congress scheduled for 1-3 November 1999
To devise and implement a dedicated publicity programme to address specific issues making full use of electronic and other media slots available to the Government <i>(BSPU)</i>	<ul style="list-style-type: none"> ● Devise a programme in collaboration with Information Services Department in 1999 ● Implement the programme within 2000