HEALY CONSULTANTS

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H.K. remains attractive to foreign investment

Foreign investment in Hong Kong is expected to grow modestly from 2006 as capacity of the city's investment promotion office reaches limit, the head of Invest Hong Kong said Tuesday.

A total 246 investment projects were completed in 2006, creating 7,835 jobs and bringing in HK$10.24 billion (US$1.31 billion) in investments, representing a 15 percent increase over 2005's record total of HK$8.9 billion, according to a 2006 review.

''We are going to aim for another increase in the total number of projects in 2007 with a target of 250,'' Invest Hong Kong chief Mike Rowse said at a press conference. ''The prospect for 2007 is looking very good indeed, for solid progress.''

Rowse said most companies looking to set up office in Hong Kong make modest investments and he expects investment amounts to range between HK$8 billion and HK$10 billion for this year.

He forecast that investment from mainland China will grow from 17 percent to 25 percent of the total in five years, while Europe and North America will each continue to contribute about a quarter of the total.

Japan, after suffering from staffing problems last year, will be restored in 2007 to an annual average of 25 projects.

Foreign direct investment in Hong Kong grew to US$29.6 billion in the first nine months in 2006 from US$24.4 in the same period in 2005. The total FDI for 2005 was US$33.5 billion.

Rowse said a possible economic slowdown in North America is not going to stop American companies from looking for good business around the world and Hong Kong, being the gateway of China, will continue to benefit as a springboard for foreign companies wanting to enter the Chinese market and for mainland companies going out.

''Asia at the moment is a major area of economic growth, especially mainland China, but also India, even Japan keeps threatening to start growing its economy again. It may make (companies from North America and Europe) more keen to look for business opportunities in this part of the world if their own economies are growing more slowly,'' he said.

Rowse brushed off potential competition presented by Singapore that has been aggressively looking for listings from mainland companies, which still prefer listing in Hong Kong.

"The turnover in the Hong Kong market is vastly higher than Singapore, the total capitalization in Hong Kong is vastly higher than Singapore or anywhere else for that matter," he said.

Cepa, the closer economic partnership arrangement signed between the mainland and Hong Kong in 2003 to reboot the territory's economy from the aftermath of the SARS outbreak, continues to play a role in drawing investments.

Rowse said 61 companies last year indicated that Cepa was one of the factors they considered when making the investment, of which 22 companies said it was the reason they came.

But worsening air pollution has raised concern among international companies and opinion polls have shown that some companies might leave Hong Kong for other cities with cleaner air.

Rowse acknowledged the air pollution problem, but he said it is not a prioritized concern at the corporate decision-making level. He added he is hopeful that the government will tackle the problem locally by enforcing tighter control over two power companies that are responsible for 20 percent of the pollution.

Neighboring Guangdong Province in south China is responsible for the rest.

Rowse said Beijing authorized Guangdong to build two new nuclear plants and that might help solve the problem as most polluted air came from reserve power plants used by factories in the province.