

Report by the Convenor of the Focus Group on Trade and Business after the Economic Summit

Following is the report (translation) by the Convenor of the Focus Group on Trade and Business, Dr Victor Fung Kwok-king, at the press conference on Economic Summit on "China's 11th Five-Year Plan and the Development of Hong Kong" today (September 11):

Friends of the media, trade and business have long been an important aspect of the economic development of Hong Kong. In the past few decades Hong Kong has already established its position as an international trade and business centre in the Asia-Pacific region. This afternoon we had an enthusiastic discussion. We analysed China's 11th five-year plan on the opportunities and challenges they presented to the trade of goods and trade of services in Hong Kong. We actually had detailed discussions in many aspects, but I will just share four salient points with you.

First, under the 11th five-year plan, the country has set the goal of further promoting domestic consumption. In other words, consumption is going to play an important role in economic growth. The opening up of the Mainland market is the biggest opportunity presented to us. In the international market we are already highly competitive. In some industries, actually we are ranked top in the world and many of our factories are based in the Pearl River Delta region. So our first and foremost task is to consider how we could leverage on our international advantage to open up the Mainland market and that would create a lot of trade and business opportunities and jobs. I wish to stress that Hong Kong has an edge in terms of product design, innovation, improvement in productivity and upgrading in quality of goods. We could apply all this know-how to the Mainland market. As the Financial Secretary pointed out just now we should encourage brand building; that is 'Brand Hong Kong'. Here I am not just talking about that there should be different consumer brands in Hong Kong, Of course that is the ultimate aim. What I would like to say is that the brand 'Made in Hong Kong' is worth a lot. It's our important asset so if we could build on this brand and promote it in China, it would then be tantamount to a guarantee of quality. Of course we could link the brand to our lifestyle which is so vibrant and colourful and on this basis we should promote the 'Made in Hong Kong' brand. That's very important.

Second, on how we could develop the Mainland market, perhaps we should focus on the Pearl River Delta region, particularly on the 90,000 Hong Kong-owned factories there. These 90,000 factories are actually the vanguard of Hong Kong on the Mainland market. They have been on the Mainland for a long time so what they need to learn now is the domestic demand and how they could then market their products there. We have to help them make the transformation and help smooth the way so they can overcome obstacles on the domestic market. There are problems to be addressed and the very first one must be the environment. Both residents from Hong Kong and the PRD are very concerned about the environment. So for the 90,000 Hong Kong-owned factories in PRD, they have this opportunity, in fact they have the duty to help improve the environment. This is a

primary concern. Apart from that, we need to conduct detailed studies to identify the concrete issues. If environmental standards are to be raised regularly, I think it is very important to help the 90,000 factories to upgrade their operation quality. Also, we should look into ways to help these businesses in terms of co-ordination of cross-boundary infrastructural development. And here, we have considered how we could make use of a new technology RFID (Radio Frequency ID). Hong Kong attaches great importance to and has been developing this technology for a long time. If we could apply our RFID at the control points that would be of great benefit because we would be able to streamline and speed up the custom clearance process substantially. Also we would be able to authenticate products because there are so many fake products around now. This technology would also be a testimony that we are advanced in terms of supply chain management. So this technology is very important to Hong Kong.

Third, we have made a good start with CEPA, and the question is how could we further optimise CEPA. CEPA has brought about many business opportunities to us, particularly in domestic consumption. Many factories are probably well aware of the benefits of CEPA. But of course we know in phases one, two and three of CEPA there were problems of implementation. We would like to identify those problems, see how we could address them and also see how we could further leverage on CEPA. Of course, it's not just the Pearl River Delta, we have to look at the Pan Pearl River Delta, as well as the entire country, to see how we could develop the market.

The last point I would like to make is in response to what the Financial Secretary said earlier. We need to attract talent to Hong Kong. Personally I believe if you do an analysis on the long-term competitiveness of a particular place, at the end of the day it's all about talent. So it's a question of how we can attract talent and upgrade our own talent. Of course, we welcome those who have worked for many years to come to Hong Kong. We have various talent admission schemes. We hope the Quality Migrant Admission Scheme for instance could be further promoted and speeded up. At the same time there are many Mainland students who would like to come to study in Hong Kong, especially at our tertiary institutions. The demand far outstrips the supply. There are so many more applications than places available. So without cutting down on the number of places for local students, we have to consider how we could enrol more students, so that talent could come at a younger age, stay in Hong Kong longer and actually grow up in Hong Kong in a way. So here we have to consider a real problem. Tertiary institutions would like to take in more Mainland students but there is not enough student accommodation, so perhaps the Government would have to address that particular problem, like giving more land to tertiary institutions to build more student hostels. In the next three months we are going to develop these ideas, then we will be able to come with an action plan for further consideration. Thank you.