

Speech

Speech by SFST at Hong Kong Management Association 2007 Annual Conference (English only)

Thursday, November 8, 2007

Following is a speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the Hong Kong Management Association 2007 Annual Conference today (November 8):

Dennis (Dr Sun), David (Dr Sun), distinguished guests, ladies and gentlemen:

The title of this conference "Fulfilling Hong Kong's Global Aspirations" is a topic any government official will feel comfortable with. You can always find something meaningful to say. And I hope what I have to say today will mean something to you.

Many of you here are architects of our prosperity, so I feel I may be preaching to the converted. But I welcome this opportunity to think out loud before you.

Hong Kong is often seen as an ideal global city. We are an open, efficient and rational society, with low taxes and minimum red tape. Our streets are safe and our laws are impartial and predictable. Goods and people move freely here. We are international in outlook, yet deeply rooted in Chinese culture.

What is more, we are blessed by a special relationship with the Mainland, both by biology and geography. Many times in the city's history, we have done well by catering to the needs of the Mainland. And this time around, it is no different.

China is changing so fast. Each time I go north, I see something different, and what is new and different up north has tremendous implications for what is down south here in Hong Kong. I just returned from a duty trip to Beijing. And this time, I was struck by a powerful realisation. I want to share with you what went through my mind during my flight back to Hong Kong.

During the seminar in Beijing, what I heard suddenly brought home the

message that the gap between Hong Kong and the Mainland is closing fast . This feeling is nothing new. Many local people have said the same thing. But what is new is the opportunity I see coming from this change.

With the gap closing between Hong Kong and the Mainland, many people see it as a cause for alarm. I see differently.

What came through loud and clear to me is that the folks in Beijing now want more or less the same things we want in Hong Kong: a comfortable lifestyle, a livable environment and other modern conveniences of living. Even the values we hold dear are being voiced and shared by the good people of Beijing. So the gap that is closing is not just the material gap, but also the value gap, the aspiration gap.

Some may view this closing of the gap as a negative development. I say that is not a helpful attitude. Alarm is good only if followed by a change of strategy and intelligent action.

Traditionally, Hong Kong's role has always been to provide what the mainland needs. Our prosperity comes from this role and this ability. This time, despite the closing of the wealth gap between us, there is a deeper layer of opportunity waiting to be tapped. But to see this opportunity, you have to first look carefully.

To be sure, we have been quite successful in attracting mainland firms to come and set up in Hong Kong. Most of them are here as branch offices of their mainland operations, and they exist mainly to take care of their mainland needs. They have not been fully integrated into the local corporate culture. Operationally, they might be more interested in the mainland side of their business than on the opportunities our international market can offer.

The way I see it, there is a deeper layer of synergy waiting to evolve between mainland firms in Hong Kong, and the high-quality services that local firms could offer to their mainland cousins, in terms of the high international standards in corporate governance and other operational efficiencies.

Richard Nixon's visit to China has made famous the meaning of the Chinese word for "crisis"- made up of two component parts, one meaning

"danger" and the other meaning "opportunity". I see the challenge, but I also see the opportunity in this new situation. Traditionally, Hong Kong entrepreneurs have been exceptionally skillful in identifying needs and seizing opportunities. I think it is time we do that again, creating synergies between mainland and Hong Kong businesses.

There is one other favourable factor. I am referring to the supportive role of our government. Within the SAR Government there is great desire and determination to do what it can to help Hong Kong firms connect with their mainland counterparts. There is also closer co-operation and constant consultations, government-to-government, between Hong Kong and various organs of regional governments on the Mainland, not to mention the blessing of the national government. So Hong Kong firms have a new edge.

I am also aware of other changes that we need to harness. Hong Kong has done extremely well being the fund-raising centre for mainland businesses. Our IPO's of mainland companies are the envy of our regional neighbours. But the mainland economy is changing rapidly. There is now less of a need for overseas capital on the Mainland. The quality of the mainland market is improving, and so is its corporate governance. Increasingly, even as Hong Kong will continue to raise capital, and a lot of it, for mainland firms, it looks like that a new role in Hong Kong is to manage mainland wealth.

But even here, not all things will be going our way. Not all the Chinese capital managed in Hong Kong will be invested in Hong Kong, though we must try hard to see that it will be invested through Hong Kong on its way to other markets.

Change is inevitable. We must adapt to meet the changing needs of a changing market, by coming up with new investment products that will meet the needs of these new investors.

Our success in attracting a wave of IPO's by mainland companies has prompted the criticism that we are too narrow a market - that we are too much an equity market and too much a China equity market. Many feel that it is time we diversify and reach out to foreign companies to expand our listings from overseas sources, and in turn allow them to tap the Chinese capital. Diversification is the name of the game, and a healthy way to grow our market,

and consummate our efforts to internationalise it.

And now, I want to talk about something closer to the heart of our being a global city. To a large extent, it will determine our continued success as a world city. I am talking about the quality of our people. This is the place to talk about this subject, because the Hong Kong Management Association is also an important provider of business training and education.

High on our agenda should be the language training for proficiency in English and Putonghua, the principal languages of our major trading partners.

English should not be taught as a subject but as a language for communication as Putonghua is. Expose students to authentic communication experiences. I don't mean just taking them to Starbucks or KFC. Nurture a taste for international culture and entertainment preferences. It may surprise you to know that in many local university functions, the English emcees are often mainland students. That is the kind of hunger for language that Hong Kong needs.

Culture, I always say, is for living, and language is for speaking. That is how an international city functions.

Besides language, our citizens should have a global mindset, with a curiosity about the world beyond our city borders. These days, business solutions often require a global perspective and international knowledge. In business as in government, we need people who can think globally and problem-solve locally.

In a fast-changing world, the absorbing of facts is not what counts. Learning is about becoming-becoming a strategically smart global citizen. For a small place like Hong Kong, getting our people ready is half the battle. This is very much a battle for the Hong Kong Management Association as a provider of business education and training. We learn to absorb the wisdom of a famous Chinese proverb which says: "Live in security, but think of insecurity" and I might add: "Live in security, but be ready for opportunity".

Thank you.