

SCIT speaks on HK's role in linking Mainland enterprises with int'l businesses

Following is the full text of the speech by the Secretary for Commerce, Industry and Technology, Mr Henry Tang, at the Finland - Hong Kong Networking Luncheon today (September 23): (English only)

Minister Vilen, distinguished guests, ladies and gentlemen,

It gives me great pleasure to welcome you, Minister Vilen, and your delegation to Hong Kong. This morning we had a good discussion on recent developments in Hong Kong. I would now like to share with you my thoughts on the direction in which Hong Kong's commerce and industry should be heading. I would like to do so with reference to the success story of Finland.

Hong Kong and Finland are alike in many respects. The sizes of our populations are similar. We have similar per capita GDP. Both our economies have been compelled by our small domestic market to put a heavy emphasis on external trade.

In the past two decades, Finland saw a radical reconfiguration of its industries, essentially driven by market forces. At the beginning of the 1980s, forest and metal products dominated Finland's industrial output. Today, telecommunication and electronic products account for the largest share of Finland's exports portfolio. Nokia and Sonera together account for more than 50% of the Helsinki stock market's total capitalisation.

In Hong Kong, the transformation of our economy in the past two decades was equally, or even more, radical. Hong Kong's economy restructured itself from a manufacturing base into a vibrant business and financial centre with an extremely strong services orientation. Today, services account for over 85% of Hong Kong's total GDP.

Both Hong Kong and Finland have gone a long way in economic restructuring, and have had tremendous success in the process. But, nowadays, no economy can afford to stand still in the face of keen international competition. Hong Kong and Finland alike must search for the best way forward.

Finland's impressive progress towards a knowledge-based, high value-added economy in the past ten years or so holds much inspiration for Hong Kong. The immense benefits of this profound change for Finland are there for all to see.

The Hong Kong economy has now come to a point where globalisation and advances in technology are compelling it to move up the value chain. It is no secret that Hong Kong cannot compete on costs. We must be able to provide innovative ideas and quality services through technological development and application.

I am glad to say that there is now a clearer consensus in Hong Kong, especially among the business community, that innovation and technology are of paramount importance for Hong Kong's long-term economic growth. The Government has a clear objective, which is to use science and technology to enhance the innovative capacity of Hong Kong and to create knowledge-based, high value added activities.

Finland is certainly one of the world's leaders in wireless telecommunications and an equally impressive trend setter in information and other communications technology. Hong Kong too is an early and mature user of information and communications technology (ICT), and is almost on par with Finland in terms of fixed network, mobile, PC and internet penetration, e-commerce readiness ranking as well as e-government rating. Our broadband network covers practically all business buildings and over 95% of domestic buildings in Hong Kong. Indeed, Hong Kong has been ranked first in a recent ITU Mobile/Internet Index which measures how each economy is performing in terms of information and communication technologies (ICT) while also capturing how poised it is to take advantage of future ICT advancements.

In the past few years, the Government has been investing and doing a great deal in promoting innovation and technology. We promulgated in May 2001 the Digital 21 IT Strategy, which aims to position Hong Kong as a leading digital city and e-business community in the region. We have been taking steps to enhance our physical and technological infrastructure. The Cyberport, the IT flagship of Hong Kong, and Science Park are prime examples of such efforts. The Government has also taken steps to introduce competition in the telecommunications market through progressive liberalisation. We have also taken the lead in electronic business by providing public services on-line under the Electronic Service Delivery Scheme.

Design is an integral part of an economy's innovative capacity. In this regard, Finland has a good story to tell. You are a world leader in industrial design. It plays an important role in building the brands of Finnish products and companies in the international marketplace. For instance, design is clearly an important feature of Nokia.

In Hong Kong, there is now a greater awareness of the importance of design among our industrialists. More and more industries are engaging in original design manufacturing (ODM) by providing their own engineering and design solutions to customers, instead of the traditional original equipment manufacturing (OEM) mode. There are quite a few local manufacturers already marketing their products with their own or acquired brand names.

The Hong Kong Design Centre, which was officially opened ten days ago, will enable our design professionals to get together to promote design in Hong Kong and raise Hong Kong's international profile. In all these developments, Finnish companies will find many exciting business opportunities.

Hong Kong and Finland signed in 2000 a Memorandum of Understanding on information technology, information services and telecommunications co-operation. Under the MOU, a number of activities, ranging from commercial and industrial exchanges to investment and technology partnerships, have taken place and proved to be mutually beneficial. And I am sure there are many more opportunities for further cooperation.

I am also glad to note that Sonera has already set up a wireless applications development centre in the Cyberport. Indeed the occupancy rate of Phase I of the Cyberport has reached 80% with big names including Microsoft, GE Information Services, Sonera, Sybase and PCCW becoming the major tenants. The clustering of top quality companies and professionals specialising in IT and telecommunications will create synergy to the benefit of both tenant companies and Hong Kong as a whole.

We boast ourselves as an ideal test-bed for new technologies and gadgets. We have quality people, good support services and a remarkable readiness to embrace new technologies. We are strategically located, with easy access to the Mainland and other markets in the region. New technologies and services, after customisation and adaptation, can be readily rolled out in the Mainland, or even other Asia Pacific markets.

And of course, Hong Kong's key role in linking Mainland enterprises with international businesses should feature high in your consideration. With Hong Kong's close geographical, cultural and economic links with the Mainland of China, and over 20 years' experience of doing business in the Mainland, Hong Kong companies are best placed to support Finnish and other overseas firms, particularly small and medium enterprises, in venturing into this vast, and in many respects, untapped market.

As a matter of fact, Hong Kong's ICT sector has already established a close partnership with the Mainland ICT industry. Over 40% of software vendors in Hong Kong have already set up branch offices in the Mainland and have actively participated in IT service and application developments there.

In 2000 and 2001, we saw a 20% and 8% increases respectively in the number of regional headquarters and offices set up by overseas companies in Hong Kong, in a wide range of industries. There are more than 3,200 of them now. The more recent additions include Philips of the Netherlands - the world electronics giant, and France Telecom, another world leader in telecommunications. These figures clearly illustrate international confidence in Hong Kong's business environment and its role as a springboard to the Mainland market.

I understand there has been a lot of interest in the Closer Economic Partnership Arrangement we are discussing with the Mainland, which we call "CEPA" in short, and Minister Vilen has suggested that I should comment a little on where we stand. The proposed CEPA is a wide ranging arrangement covering trade in goods, trade in services, and trade and investment facilitation. Both governments are keen to ensure that CEPA should be comprehensive and fully WTO-consistent. We are actively engaging each other on the subject and have sent expert groups to discuss various individual subjects in detail. Because of the breadth and complexity of the issues involved, it would not be meaningful to set an artificial timetable. We are making continuous progress on various fronts. I understand there has been concerns how we will define "Hong Kong Companies" entitled to the benefits of CEPA. We have not come to any conclusions. Suffice it to say that any arrangement that will come out will be fair, open, transparent and, above all, fully WTO-consistent.

Finnish and Hong Kong businesses, with their famous entrepreneurial flair, can do a lot of things together. I look forward to building closer economic, trade and investment relations between our two economies, and greater friendship between the people of Hong Kong and Finland in the years to come.

Thank you very much, ladies and gentlemen.

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