

**Speech by Mr John Wan**  
**Acting Director-General of Investment Promotion**  
**at the World Services Congress 2001**  
**on Thursday, 20 September 2001 at 4:00 pm**

**“Hong Kong – Compradore City”**

Thank you Lloyd, and Good Afternoon, Ladies and Gentlemen,

I would like to extend a special warm welcome to those coming to Hong Kong specifically for the Congress.

Hong Kong is indeed a wonderful place. It is the home of many successful business, international business. After all, Hong Kong is all about business. More importantly, Hong Kong will be all about promotion of service trade.

I grew up in Hong Kong when we were a manufacturing base. We produced fine products in the cheapest possible way and we marketed ourselves as such. Hong Kong was then a city of compradores who thrived on trade and business and in the process helped Hong Kong thrive.

Now, the International Dictionary of Trade Terms defines a compradore as “an agent in a foreign country employed by a domestic businessman to facilitate transactions with local businesses within the foreign country”. If you like, a compradore is a go-between or middle-man, who naturally enough, takes his cut for facilitating such transactions.

We have gone a long way since. Ours is now a very much service-based economy and we are rapidly moving towards a knowledge-based economy. The transformation is a response to a global trend and is necessary if we are to achieve our vision to be Asia's World City.

In the process, Hong Kong has transformed from a city of compradores to a compradore city. In the past, we exchanged silk and tea for silver. Today we exchange our high quality services for hard currencies. In the past, we marketed Hong Kong's products. Today, we market Hong Kong as a product. Specifically, we market Hong Kong as the world's finest service centre.

The latest statistics show that 85% of our GDP is derived from service industries, accounting for more than 80% of all employment in Hong Kong. We are now the world's top exporter of services in Asia, second only to Japan. Turning to Foreign Direct Investment (FDI), which is Invest Hong Kong's whys and wherefores, Hong Kong has been credited for the record high levels of FDI to and from developing Asia in the year 2000. United Nations Conference on Trade and Development, UNCTAD, published two days ago its World Investment Report 2001. The international trends are mixed, but UNCTAD concludes that the region's longer term investment prospects remain bright. For Asia, the record inflow of US\$143 billion in 2000 represents a 44% increase in FDI over 1999. More importantly, UNCTAD has said that the increase was primarily due to an unprecedented FDI boom in Hong Kong. We had an inflow of US\$64.4 billion, overtaking Mainland China as the single largest FDI

recipient in Asia, and which is a substantial increase over the US\$24.6 billion we had in 1999.

During the same period, there was also a record outflow of US\$63 billion. There are specific reasons for the unprecedented outflows and inflows, and for the record, we cannot expect to have the same levels next year. The increases were due to the economic recovery during the year 2000, to foreign companies parking funds in Hong Kong in anticipation of China's entry to WTO, and to significant merger and acquisition activities, notably arising from China Mobile. The important conclusion is this. The figures are concrete evidence that Hong Kong is an economic active city and will remain so. Specifically Hong Kong is a compradore city.

Let us find out who are in this compradore city. To start with, we have over 12,000 foreign companies in Hong Kong. They have come literally from everywhere in the world. We did a survey over a year ago and found that 3,001 foreign-owned companies had established regional headquarters or regional offices here as of 1 June last year. From press reports alone, we know that over 70 more regional headquarters have set up here from June to June. My colleagues in the Census and Statistics Department are repeating the survey for 1 June 2001, and I am optimistic that the number of new regional headquarters and regional offices would be on the increase. Many of these companies are in the hi-tech sector. They are here because they are convinced that Hong Kong is the place for their line of business, and because Hong Kong is the best place in the world for doing business.

I am of course aware that the present economic climate is tough, but we are hopeful that after China joins the WTO, things will turn for the better, not only for China and Hong Kong, but also for the entire international business community.

Arguably, some of our traditional trade and commercial roles would be challenged after China joins the WTO, but Hong Kong is always prepared for challenges and will meet these challenges by reinventing itself as before. The transformation I talked about earlier will involve some short term pain, but will bring long term gain.

I see Hong Kong moving up the value added chain and from there to even greater heights. We would achieve this by continually enhancing our advantages to ensure that we retain the best business environment in Asia and in the world.

The Hong Kong advantages are many and well known. To begin with, we have a Government that believes in minimum interference and maximum support for business. We are the freest economy in the world. We operate a level playing field. We practise the rule of law scrupulously. We have a corruption-free and effective civil service, a free press and free flow of information, a simple and low tax regime, an independent judiciary, a world-class banking system, a skilled and knowledgeable workforce; and to top it all, unrivalled location.

Yes, Hong Kong is blessed because of where it is. We are at the mouth of the Pearl River Delta, with the whole of Mainland China as our natural hinterland. I can never over-emphasize the advantage of being where we are. There are over 35 million people living in the Pearl River Delta area, which has effectively become Hong Kong's manufacturing base. Hong Kong companies now employ over 5 million people there. This trend will continue and will bring mutual economic benefits to Hong Kong and the Mainland as China continues to open up and with her impending accession to the WTO.

Hong Kong's compradore role is set to flourish. Hong Kong is where mainland firms seek foreign funds, partners and trading contacts. We have the global capital market for an overseas Chinese business network.

Put simply, your biggest barrier to trading with China is not having set up here in Hong Kong first.

With China's entry to the WTO, more foreign goods will use Hong Kong as a trans-shipment hub and a logistics base, capitalising on Hong Kong's intermediary services.

My advice is to find a business partner for the Chinese mainland, or for the Asia-Pacific region for that matter. I urge you to set up your regional headquarters or office in Hong Kong if you have not done so, and enjoy all the protection our global service centre offers.

Take advantage of our traditional investor attractions, our low taxation, diligent workforce, excellent infrastructure, easy accessibility of information and above all our compradore spirit.

The concentration of business and professional people here means that Hong Kong is the gateway to China. People here understand how China works, and know how to deal with China and its business people. We share the same culture and heritage, and have had over 150 years of successful track records in trading with the Mainland. Already, there are 180,000 Hong Kong firms having joint ventures in China. And all of them can take advantage of the support and back-up service of our 1,300 accounting and auditing firms, 1,600 book keeping firms, 1,200 legal firms and around 3,000 business-management and consultancy firms.

And in our way, we at Invest Hong Kong too also play a compradore role, and we are free of charge.

Invest Hong Kong is here to spearhead Hong Kong's efforts to attract inward investment. This is not just one more government department. It was set up purely to facilitate business and to help businessmen. In the first year of our existence, we have assisted foreign companies to complete 85 investment projects here. Invest Hong Kong is here to make sure Hong Kong is always a true compradore.

To conclude, Hong Kong has long profited from its role as a trading intermediary between China and her markets. China's entry to the WTO is not going to change this role. In fact, that role is only going to get bigger, making it more profitable for those who seize Hong Kong's compradore spirit and who base their business in Asia's World City.

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