Speech by Hong Kong Trade Development Council Executive Director Michael Sze, at the 4th World Conference of Trade Promotion Organisations, Beijing, 16-17 May 2002

STAYING RELEVANT AND VIBRANT

Introduction

Distinguished guests, ladies and gentlemen:

- Congratulations to China Council for the Promotion of International Trade for turning 50. A true pioneer of trade promotion in Asia. By comparison, my organisation the Hong Kong Trade Development Council (TDC), at 35 years old, is a much younger brother.

- Also congratulate CCPIT for hosting this important event, held for the first time in Asia.

- Very timely. As all the TPOs are operating in a dynamic, fast-changing environment. Facing many challenges.

- But also many opportunities (China’s World Trade Organisation membership)
• To stay **relevant and vibrant** as TPOs, constantly need to **renovate and reinvent**.
A unique heritage

- Before any renovation, important to survey the foundations. Each TPO is the creation of unique circumstances particular to its economy.

- In TDC’s case, we were originally founded to promote two-way trade in goods (manufacturing history: needed to import in order to export).

- Now that Hong Kong is a trade services centre, that mandate to promote two-way trade which has been expanded to cover Services is more important than ever.

- Another special Hong Kong characteristic: role of small and medium-sized enterprises (SMEs) – more than 100,000 are engaged in external trade alone. You can reach all of them through our Trade Portal: tdctrade.com

- TDC thus an organisation geared to SMEs who typically have big ideas but limited marketing budgets – hence our diverse services.

A Hong Kong snapshot
Each TPO has its own issues to face back home that provide the backdrop to organisational renovation. I would like to share with you a snapshot of those Hong Kong faces.
• Hong Kong: three decades of **almost uninterrupted economic growth** faced its worst economic situation in almost a generation (people in their 30s and 40s never known true hardship). That’s why the past four years were very tough.

• Just as we were getting back on our feet after the Asian financial crisis. But before really recovering, the next global downturn came. And then September 11th.

• As one of the world’s most open, trade-dependent economies, Hong Kong harder hit than most. For the first time ever, even professionals have been laid off.

• Especially hard on SMEs in trade. Difficulties raising loans to develop their business (property collateral worth half of pre-1997 levels. Even negative equity).

• But not all bad news. Hong Kong’s greatest vulnerabilities also its greatest strengths. (*Long tradition of turning adversity into something positive*).

• Our SMEs took their bitter medicine, cut losses and adapted. Stronger, more resilient, more competitive. (*business costs sharply down*).

• Biggest boost: China’s WTO entry.
• Hong Kong is the largest source of FDI for the mainland (accounting for more than half). Handles 40 per cent of China’s foreign trade.

• First mover advantage underpinned by linguistic, cultural and blood ties.

• For the first time, Hong Kong has a “domestic” market. But even without such a market and totally reliant on foreign markets, Hong Kong managed to rise from 23 to 10 in world trade in just over 20 years (interaction with Pearl River Delta – PRD was a major factor). Imagine the scope now.

• Will return to this point in a moment

**Asking the tough questions**

• Because of the downturn, TDC’s trade-linked subvention and operational income have been falling, precisely when we need to do more trade promotion! *(40 per cent decline in funding from Government since I became Executive Director in 1996).*

• Community expectations rising. Customers demanding more and better services; more value for money. Media (free, unfettered) watch our every step!
• Respond positively to this scrutiny. Keeps us on our toes and makes us a change oriented organisation.

• Economic downturn has spurred us to look critically at everything we do and ask: “should we still be doing this?” Is this the best way?” “Could we put these resources to better use?”

• In other words, “how do we stay relevant? A $64,000 dollar question for us all. Here’s how TDC attempts to answer it…

Staying relevant

• Embracing new challenges relevant to our mission. In particular, accepted Government’s invitation (1996) to take on promotion of Hong Kong’s service exports:

  o Natural evolution of our role. Services 86 per cent of GDP. Joined at the hip to merchandise trade flows.

  o Overnight: a broadened portfolio, new lease of life, new challenges for years to come.
• **A sharper focus** around our core mission and **core competencies** *(market and product information, matching, trade fairs etc.)*

• A more interactive and open **planning process** that invites **greater year-round participation** by stakeholders, customers and employees. Helps to ensure we are demand driven.

• Getting closer to **core customers**, Hong Kong’s SMEs (as one crop of SMEs “graduates” and moves on to bigger things, a new generation comes in). More **customer-focused, customer friendly** *(customer service initiatives, outreach programmes, SME Market Day and other “one window” approaches).*

• Doing more to **bring the market to our SMEs**, who cannot afford money/time to travel. Expanding our Hong Kong **trade fair portfolio**. Raising the **quality** of our fairs to attract more international buyers. Marketing them harder, especially after 911 *(it’s working. *Increase in overseas buyers at our shows since September, when other events around the world were cancelled or saw huge declines in attendance. 58 per cent increase in buyers from the mainland.)*

• **Planning ahead** to reinforce Hong Kong’s leadership position as Asia’s trade fair capital *(feasibility study into Phase III extension of our Convention and Exhibition Centre in addition to the new facility being planned at our airport)*
Continually improving and developing Trade Portal *tdctrade.com*, the cyber platform for our services. Two years old; 3 million hits per day. In addition:

- New content, new strategic partners, new technology (*new mobile applications*).
o **Multiplier** of our existing services (*eg.* migration of trade enquires from manual to online. Topped 2.4 million last year; our newspaper Hong Kong Trader reaches three times more people online at a fraction of the cost.)

o Latest breakthrough is **hkenterprise.com**, TDC’s cyber marketplace and online direct marketing service.

Track the impact and effectiveness of these and other initiatives through regular **customer satisfaction surveys**.

**Expanding capacity**

- Taking steps to **improve TDC’s capacity** for continuous change, improvement and innovation.

- Total **overhaul of human resources** policy to **improve quality, productivity**, and employee **satisfaction**.

- Recruiting **new talent** (*executive trainee scheme*. 17 have graduated since introduction of the scheme in 1997. Another 25 are in training in the three-year programme. More will be joining later this year, they comprise nearly half our junior management team. **They are our future**).
• **Rotate young executives** so that all spend time on overseas postings in TDC offices. Give them global experience and exposure.

• TDC the first Hong Kong public organisation to introduce a **performance-related pay system** to reward and encourage excellence.

• **Managing out** employees unable to move with the times and add more value. Fill these vacancies with fresh talent or redeploy them to areas of greater need.

• Putting our house in tip-top order – the effect has been to buttress the community’s faith in TDC.

*Seizing opportunities*

• TDC’s number one priority in China’s WTO era is to develop the mainland as Hong Kong’s domestic market. We gear much of our organisational renovation to that.

• Like Hong Kong, we have a first mover advantage: an installed network of 11 mainland offices (*more than any other overseas TPO*)

• Three-pronged strategy to help Hong Kong companies:
- raise the profile and image of their branded products at consumer level in the mainland

- break into the Pearl River Delta’s extensive distribution networks

- capture more services business from increased trade flows between Hong Kong and the mainland, especially the Pearl River Delta.

**On a practical level:**

- stepped up China-related research (*special reports and web sections on WTO/Go West/Beijing Olympics*)

- strengthened our mainland offices (*eg. hired a full time economist in Beijing*)

- introduced a unique China Business Advisory Service. Experts from mainland trade authorities have been seconded to TDC Head Office and are available in TDC’s customer service centre to give one-on-one advice

**Conclusion**

- Have given just a few examples of how we are renovating the TDC.
It’s more than cosmetic surgery. We are remoulding the very spirit of the organisation, changing our mindsets, sharpening our vision.

We are also rededicating ourselves to work even harder in a more challenging – though potentially rewarding - era in trade promotion.

I always say that the most important thing in trade promotion is to anticipate. That includes anticipating when to stop.

I am happy to yield the floor to my distinguished fellow speakers, from whom I know TDC has much to learn. I also look forward to questions and discussion.