

Speech by Mr. Stephen Ip
Secretary for Economic Development and Labour and
Chairman, Hong Kong Logistics Development Council
at the *Logistics Hong Kong* Gala Dinner
Grand Foyer, Hong Kong Convention and Exhibition Centre Extension
18 May 2004

[Thank you, Chris, for your kind remarks. And thank you for partnering with us in staging *Logistics Hong Kong*.]

Distinguished guests, ladies and gentlemen,

It is a delight to welcome all *Logistics Hong Kong* speakers, delegates, exhibitors and guests to this Gala Dinner sponsored by the Hong Kong Logistics Development Council – or LOGSCOUNCIL as we like to call it. This is the first time that LOGSCOUNCIL has staged an international logistics conference and exhibition so we are naturally eager to make a good impression. We are privileged to have such a distinguished line-up of speakers and, in particular, we are very honoured to have our national Minister of Communications Mr Zhang Chunxian at this morning's Opening Ceremony.

2. It is also a great pleasure to welcome you all to this splendid Grand Foyer of our Convention and Exhibition Centre for tonight's dinner. I know you have had a busy day, so we would like to treat you to a fine meal against Hong Kong's most stunning backdrop – Victoria Harbour at night – which is a glowing testament to the creativity, entrepreneurial flair and determination of our people. I hope that tonight's venue also serves as a reminder of the maxim “location, location, location” – and of the unrivalled logistics advantages you will find located here in Hong Kong, Asia's world city.

3. Located at the heart of Asia, Hong Kong is within five hours' flying time from half of the world's population. We are strategically located on the southern coastline of China, the world's largest manufacturer of, and market for, consumer products. Our prime location, and one of the finest deep-water harbours in the world, has been instrumental in Hong Kong's development not only as a leading port, air hub and logistics centre in Asia but also as an international financial centre and business hub.

4. Despite being blessed with a prime location, this is just one factor behind Hong Kong's success as an international logistics hub. Hong Kong has always been proud of its international outlook and as a “meeting place” for East and West. We are part of China. As a special administrative region of China, we have close geographical, economic and cultural ties with the Mainland. At the same time, under the principle of ‘One Country, Two Systems’, we maintain our

own legal and judicial systems, remain a separate customs territory, maintain our own shipping register and negotiate our own air services agreements. A strong tradition of the rule of law, coupled with clean government, the free flow of information and a simple, low-tax system has underpinned Hong Kong's development as one of the freest and most business-friendly economies in the world. Taken together, these characteristics make Hong Kong a natural partner for foreign enterprises and investors wishing to break into the vast and promising China market. Currently, Hong Kong handles 23% of China's total trade with the world. In 2003, more than 30% of Sino-US trade was routed through Hong Kong. So, here we are – your Logistics Gateway to China.

5. In defining Hong Kong's logistics role in the context of Mainland China's economic growth, we must first look at Hong Kong's partnership with the Pearl River Delta region (or, PRD as we call it). Over the past four decades, Hong Kong's economy has undergone a fundamental restructuring – from entrepot, to manufacturer, to services economy. But this would not have been possible without nurturing and reinforcing our relationship with the PRD. China's further opening up under WTO discipline, our landmark Closer Economic Partnership Arrangement (or CEPA) with the Mainland, new transport infrastructure coming on line and closer government-to-government links have all combined to provide a new platform for this relationship to grow and mature over the next 10 to 20 years and beyond. This closer relationship will undoubtedly pave the way for massive opportunity.

6. Taken as a whole, the Greater PRD – which includes Hong Kong and Macau – is home to 50 million people. And the Mainland part of the PRD referred to as the “factory of the world” is the fastest growing, most affluent and most open economic region in China. It is also the country's single-largest GDP contributor and its largest exporter. It is also China's most popular destination for external direct investment.

7. Guangdong Province, just adjacent to Hong Kong, is our largest trading partner. And we in Hong Kong account for 21.5% of Guangdong's external trade. Our cumulative value of realised direct investment in Guangdong was US\$86 billion, or 69% of the total by end-2002. Of the 20.4 million containers handled by Hong Kong in 2003, nearly 70% came from Guangdong and southern China. So, Hong Kong and the PRD have a “teeth and gums” relationship. We are separate parts of the same economic entity, performing different roles and functions; but combined we provide a manufacturing and services hub that is unparalleled in the world. The market has made this happen. At the same time, governments in Hong Kong, Macau and Guangdong are stepping up co-operation to make sure that the wheels of the market can turn as smoothly as possible.

8. Enhanced government-to-government co-operation within the PRD has helped to significantly improve the flows of people, goods, capital and information across our boundaries. Recent surveys show that 86% of northbound vehicles and 97% of southbound vehicles can complete a cross-boundary journey within one hour at our busiest land boundary control point, Lok Ma Chau. To further enhance the capacity of boundary facilities and the flow of goods, a new freight-only bridge at Lok Ma Chau will be completed by the end of this year. The completion of the new Hong Kong-Shenzhen Western Corridor in 2005/06 will triple total handling capacity for cross-boundary traffic. Preparation work for the construction of a Hong Kong-Zhuhai-Macao Bridge is proceeding as a matter of priority, and will greatly expand Hong Kong's cargo catchment area to the western part of the PRD.

9. While it is true that our relationship with our PRD partners gets stronger by the day, it is also not without challenges. China's WTO accession includes market liberalisation in goods and services trade. Greater business opportunities will be unleashed within the PRD, which is good for Hong Kong, but also exposes us to keener competition from other Mainland and overseas service providers. For example, transport and logistics service providers in the PRD have improved significantly in recent years, in terms of service coverage and throughput. This is a real challenge for Hong Kong which, for many years, had enjoyed almost a monopoly on access both in terms of trade and investment.

10. This is what globalisation is all about and this is the type of competition that we live and breathe in Hong Kong. I am confident that our logistics industry will do well and continue to thrive in the face of greater competition. That's because we are constantly building on our logistics strengths, and are determined to excel in providing efficient, reliable and value-for-money logistics services.

11. With a total throughput of 20.4 million TEUs in 2003, Hong Kong's container port retained its title as the world's busiest for the 11th time in the past 12 years. Hong Kong International Airport has been the world's busiest cargo airport since it opened in July 1998, and has been voted Cargo Airport of the Year for the past two years. Yet we continue to improve our facilities and services – because we know there is no room for complacency.

12. To ensure sustainable development and to enhance competitiveness, we are formulating a master plan for Hong Kong's port development up to 2020. The opening of the Express Cargo Terminal at Hong Kong International Airport by the end this year will further improve our air cargo services.

13. In addition to transport infrastructure, we also place great emphasis on service integration and information connectivity. Both are crucial to the success of any modern logistics hub. To boost Hong Kong's capability in providing one-stop integrated logistics services, we have identified a site close to the airport as

well as the landing point of the Hong Kong-Zhuhai-Macau Bridge to develop a Value-Added Logistics Park. We are also developing a Digital Trade and Transportation Network (DTTN) System to provide a neutral and secure interface for logistics players in the supply chain to exchange information and data. The DTTN System will lower the cost of information flow, increase reliability and generally improve our logistics competitiveness. With an open and scalable technical architecture, the System will also facilitate information flows across the boundary and with our business partners in the region and strength Hong Kong's role as the prime logistics information conduit. We are planning to launch the DTTN in 2005.

14. As I mentioned earlier, the implementation of CEPA in January this year has provided added impetus to Hong Kong's logistics development. This landmark free-trade pact gives Hong Kong service providers access into the Mainland market in 18 service sectors, including logistics, transport, freight forwarding and storage/warehousing services. Since China has not made any WTO commitments in logistics and maritime transport services, Hong Kong companies in these sectors will enjoy unique advantages over their foreign counterparts.

15. CEPA opens up new and unprecedented opportunities for Hong Kong logistics companies, and enables them to extend beyond the PRD in seeking business partnership with Mainland enterprises. The implications of CEPA and its benefits for Hong Kong will be discussed in full at tomorrow's conference. I would urge you all to be there to see how you and your business may be able to benefit.

16. Ladies and gentlemen, I hope that I have been able to give you a deeper insight into Hong Kong's strengths as a logistics hub. But before I sit down, I'd like to bring your attention to another pillar of our economy – tourism – which incidentally is also under my purview. Hong Kong is one of the most popular tourism destinations in the region. So naturally I must encourage you all to stay a few more days after all your hard work and networking at **Logistics Hong Kong**. Please, take some time to enjoy the charm of our city, our cultural diversity, our good food and our world-renowned shopping. Of course, you can spend to your heart's content. (I'm sure you all have credit cards.) And if your suitcases are full, you can always rely on our excellent logistics services to get your cargo back home with considerable ease and efficiency!

17. Once again, welcome to Hong Kong. I do hope you will continue to enjoy **Logistics Hong Kong**, and I wish you all a rewarding stay in Hong Kong.

18. Thank you very much.