

## Speech

### **Speech by SFST at joint luncheon of the Global CEO Forum and Higher Education Management Leadership Forum (English only)**

Friday, November 9, 2007

Following is a speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at joint luncheon of the Global CEO Forum and Higher Education Management Leadership Forum today (November 9):

Professor Poon (Chung-kwong), distinguished guests, ladies and gentlemen:

Today, I am delighted to have this opportunity to speak to two groups of leaders who are vital partners of government: business CEOs and educational CEOs -- one work for our prosperity, the other for our posterity.

I congratulate the Polytechnic University for bringing them together in the same hall to talk about our future. To a large extent, our future depends on what these leaders do individually and collectively. However, I don't know if you can call a government official a CEO. That leaves me as the only non-CEO here.

This is a very exciting time for all of us in financial, management or educational services. Change is a way of life. Opportunities are plentiful, and challenges are everywhere. We live at the intersection of two of the most powerful forces in the history of the world: the rise of globalism and the rise of China. Hong Kong is at the very epicentre of these two powerful forces.

I may be in government service, but I listen to the teachings of ancient Chinese philosophers. My favourite is Sun Tzu. His most famous saying known to every school child in China is this: "Know yourself, and know your competition: and you are bound to come out a winner 100% of the time".

What do we in Hong Kong know about ourselves? We know that geographically, we are a small place, with a small population base, without natural resources of any kind. Our only asset is our people. For us, going global is not a matter of choice, it is a necessity. In this, we are not alone. Other small

entities, like the Netherlands or Singapore, face the same challenge. That's why we all score very high on the Globalisation Index.

In the Netherlands, students as a rule learn four languages: French, German, Dutch and English. Like Hong Kong, Singapore's success as an international city also depends heavily on its general proficiency in English.

But being small has its advantages: you can react more quickly to changes. Our economic policies may be largely market-driven. But that does not mean that we sit on our hands and wait for things to happen, or that we are merely reactive in policy-making. Let me return to this later.

Unlike other smaller places, there is one big factor very much in Hong Kong's favour: our proximity to, and special relationship with, the fastest-growing economy in the world. We are Mickey living right next to Dumbo the elephant.

China's expanding businesses and wealth need an orderly outlet to the rest of the world. Hong Kong is that outlet. In fact we are now officially part of China's 11th five-year plan, in which Hong Kong's role as the nation's international financial centre is written into its blueprint.

In the recent past, we have done very well being our nation's capital-raising centre. We offer good quality regulation and market infrastructure. We have been successful in wooing firms from the mainland which desire to fund-raise in a well-regulated market.

But China's needs are changing. While we still compete for primary listings from the Mainland, its needs for overseas capital are decreasing while its market quality is improving. While we continue to raise funds, and a lot of that, for Chinese firms, a new role for Hong Kong is to manage the wealth for China.

Hong Kong's fund management expertise, our better regulation of the fund industry will all come into play when helping to develop China's fund managers. However, not all the Chinese capital moving out will be invested in Hong Kong, although we hope much of it will be invested through Hong Kong into other markets.

We would therefore like to see a growth of investment vehicles in Hong Kong to meet the needs of the new China market.

In fact, some have suggested that we are too much an equity market and too much a China equity market. Some suggest that we should become financially more promiscuous, making ourselves attractive to foreign companies for listing in Hong Kong so that foreign issuers can tap the Chinese capital. It is time to diversify and internationalise our market.

I have used the financial market to illustrate the opportunities Hong Kong finds in the rise of globalism and the rise of China. Within our economy, on the ground, there are more hidden opportunities. A few days ago, I was in Beijing for a seminar. It became crystal clear to me that the Mainland and Hong Kong are a lot closer in their thinking and aspirations than we realise. The talk in Beijing is all about the desire for a new lifestyle, a healthy living environment and sound social practices. These are exactly the sort of things Hong Kong people desire.

If you are a pessimist, you may suddenly feel alarmed that Hong Kong is losing its edge. As our motherland moves beyond a manufacturing economy towards a service economy, its needs are changing. But I see change as fertile ground for new opportunities. In fact, I see distinct possibilities right here in Hong Kong. Let me explain.

Hong Kong has been successful in attracting Mainland companies to set up branch offices here. But we have been content to let them remain no more than the arms of their Mainland operations. Instead, we could be more proactive in approaching them to align their interests with ours. We could reach out to them to help them function like authentic local business concerns.

To me there is a deeper synergy between Hong Kong and Mainland businesses. There is a rich vein of business opportunities for Hong Kong companies waiting to be tapped. This offers a partnership with Mainland companies at a higher level.

I apologise to the university presidents and leaders here today for all this finance and business talk. But what I am about to say is very much in your

backyard. I understand that you are outnumbered 3 to 1 by corporate CEOs here. But our corporate CEOs will be the first to agree that your role in preparing us for the new global age is indispensable. After all, you turn out the talents that the business community needs.

Where new ideas are concerned, universities are unchallenged leaders. Within your walls, independent-thinking scholars and scientists are free to seek new solutions and dream up a new future. Universities are the brains of society. As partners of government and industry, universities can be our trail-blazers and agents of change.

This new global age demands a new breed of graduates. They should be strong communicators, fluent in the language of their clients, especially in English and Putonghua. They can see the big picture. Above all, they are creative in coping with change.

The new currency for the global age is ideas. Ideas can energise our economy and breathe new life into what appears to be a dwindling window of opportunity. Ideas are the life-blood of universities. And this is precisely the area in which we need you to guide, stimulate and nurture our new graduates. Given the freedom and tolerance of the university culture, no one is better equipped to manage this mission for the sake of our future.

Education can no longer afford to be technically narrow, and I no longer need to preach the need for life-long learning. In the age of change, it is not a slogan, but a tool for survival.

In a recent survey, it has been found that what determines starting pay is not the job applicant's school grades, nor even his speciality, although that is very important. It is whether he or she has been exposed to and tested by a foreign experience whether through an exchange or joint programme. Being in a foreign environment means you have to learn to cope with change and come to terms with unfamiliar circumstances.

Finally, the global age is the age of mobility. It is estimated that 20% of our graduates now work outside of Hong Kong. Our own Quality Migrant Admission Scheme is a step in the right direction in attracting the talent we

need and facilitating the free flow of skilled workers.

The talented operate without frontiers. They have a magical influence on the community they choose to live in. As a global city, Hong Kong welcomes talent, regardless of race, religion or place of origin.

On this occasion of the 70th anniversary of the Hong Kong Polytechnic University, I wish PolyU to scale new heights in the years ahead.

Thank you.