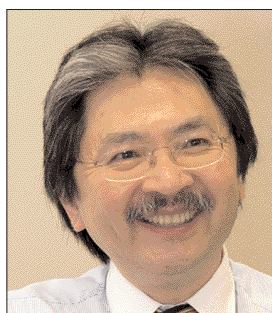


An honest broker

INTERVIEW WITH JOHN TSANG JP

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY, HONG KONG SPECIAL ADMINISTRATIVE REGION



JOHN TSANG

studied architecture at the Massachusetts Institute of Technology and holds Masters degrees in bilingual education from Boston State College and public administration from Harvard University's Kennedy School of Government. Before assuming his current position, Mr Tsang was Permanent Secretary for Housing, Planning and Lands. He was Director-General of the London Economic and Trade Office from 1997 to 1999, Commissioner of Customs and Excise from 1999 to 2001 and Secretary of Planning and Lands from 2001 to 2002.

Why was Hong Kong chosen to host the World Trade Organisation's Sixth Ministerial Conference, and what are your expectations for the meeting?

The choice was made by the 148 members of the WTO. They never really gave us a reason, but it was obviously felt that Hong Kong has the competence to deliver a high-quality conference at this very critical juncture. And in many ways Hong Kong represents the story of how a barren rock was transformed into a pearl of the Orient through the application of free-market principles, so a lot of members feel this would be a good showcase for multilateralism.

Essentially, we want to deliver two things for the WTO; we want to provide a logistically sound conference, something that is well prepared and well packaged so that the members can work comfortably in the environment that we provide during their time here, and secondly to provide a platform whereby members can deliver good results in the run up to the completion of the Doha Development Round.

By what benchmarks will you measure its success?

It's not really for me to judge, because we're just the facilitator – we provide the platform. It is really up to the 148 members of the WTO to decide what is or isn't good enough. Pascal Lamy said in Geneva that he hoped at least we'd be able to move about two thirds of the way towards the conclusion of the Round in Hong Kong, so that becomes the benchmark.

And will you be disappointed with anything less, or is any progress a good thing?

Well, the Doha Round is what we call a single undertaking; that means nothing is agreed until everything is agreed. We have about 22 subjects and each of these have six or seven sub-subjects and sub-sub-subjects, so it's a highly complicated exercise. And not only are people looking for balance in each one of the subjects but they're also looking for balance between subjects, so the members are not disclosing their cards until very late in the game. That's why people always look for these breakthroughs, because progress is never made in a smooth, linear curve. It always comes in steps, and we hope that we can achieve a big step forward here.

The major issue now is the agriculture dispute between the US and the EU, and if they can resolve their differences then it would propel the discussion forward

and enable other members to begin resolving other issues. I am not saying that if we can resolve the agriculture issue then everything else will just fall into place because all these other issues are also very complex, but at the moment it's holding everything else off.

What unique experiences and perspectives does Hong Kong bring to the deliberations, and how much influence will you have in setting the agenda?

We set the agenda together with the WTO, and over the past year I have attended many ministerial meetings with different clusters of ministers around the world, discussing the various issues in order to move the negotiations forward. I have taken part in every single meeting and I hope that the members feel that I am an honest broker. I hope that they will have confidence in speaking frankly to me about their respective bottom lines, so that I can be that honest broker and I can deal with the various parties in a condition of trust. In that way, I hope to bring different groups of members together and thereby further the progress of the discussions.

Hong Kong is in an unusual position in that it is an independent member of the WTO but it is also part of China. How does that colour your outlook and your role as a broker in these sorts of discussions?

Well that is the beauty of the "One Country, Two Systems" concept. We are very much a market economy and even though China is also going down the market economy route, a lot of its institutions are still very much socialist. We are also at very different stages of development; the per capita GDP of Hong Kong is US\$25,000, whereas the per capita GDP of China is US\$1,000. So it's quite a substantial difference, and that means that our negotiation interests are vastly different.

In Hong Kong about 90 per cent of our GDP is services. We don't grow anything and we hardly produce any manufactured goods anymore, which is why in some ways we are the perfect broker, because we have no vested interest in any of that.

In China the situation is very different; their service sector accounts for a much smaller percentage of GDP, they have a much higher percentage in terms of industrial goods and a much higher percentage in terms of agriculture, so their interests and negotiating position are very different from ours.

Hong Kong is a prolific filmmaking centre, yet China – perhaps unfairly – is seen to have a major problem with video piracy. What steps is the government taking to safeguard the intellectual property of Hong Kong’s creative industries?

Well, firstly, piracy is not an ethnic-based issue – it’s a matter of technology. I remember a few years ago, when I was still the Commissioner of Customs and Excise, I was talking to a group in the United States and somebody raised their hand and said: “we have no problem with DVD or CD piracy here in the US but we see a lot of these problems in Asia”. And I replied that the reason you don’t have any problems now is that you’re still watching tapes! At that time DVD machines were not so popular, Walmart wasn’t selling them yet, so there wasn’t a problem. But now the problem is becoming much bigger.

It’s a measure of economics; as the technology becomes more affordable, so the problem increases – and it’s going to be huge in Eastern Europe. You can get a DVD machine now for US\$100-200, so they’re going to become very popular very quickly and people will get rid of their tapes. As one format becomes obsolete, so another problem arises; it simply takes a different form. In Asia now, people are no longer selling individual pirated DVDs – instead, they do it online.

So how do you deal with the problem?

You have to catch up with technology, and during my time as Commissioner of Customs, around 1999 or so, I set up an online anti-piracy team. You cannot expect customs officers to know all about computers, so I sent them to school – to the US, to the UK, so they could learn about the latest technology. And they’re doing very well; in fact, we recently won a court case against somebody who used the BitTorrent software to do peer-to-peer pirating on line. This is the first case of its type anywhere in the world, so we’re ahead of the game in that respect.

John Tsang, Secretary for Commerce, Industry and Technology with Alastair Harris, Editor of FIRST



Photography by Terry Duckham/AsiaPix

What else is the government doing to foster creative industries and technology in Hong Kong? What competitive advantages does the territory offer over its regional competitors?

Intellectual property protection is a strong point here. We have seen a lot of software companies from the Mainland coming to Hong Kong of late because they recognise that this is a place where their intellectual property will be protected. Moreover, places like our Cyberport create clusters of like-minded people working together and operating from the same base.

In the case of Cyberport, the government has invested a significant amount of money in a number of facilities. We have set up a digital entertainment centre, a wireless development centre, an i-resource centre, all of which is expensive hardware that companies in Hong Kong – 99 per cent of which are SMEs – would not otherwise be able to afford. The idea is that the government buys the latest equipment and puts it in there, the SMEs come in and use it and we charge them by the hour, making it more affordable for them. The usage has been very good, particularly in terms of the digital entertainment centre.

Hong Kong is famous for reinventing itself. Where do you see the territory in, say, five years time in terms of its economy and its industrial base?

We want to become the service capital of China. Hong Kong is the only place in the whole of China which has a totally convertible currency. We are therefore the window on the world for Chinese companies to go out as well as for international companies to go in, so we provide all the services that add value for them. A lot of UK companies, for example, especially small companies, will not go directly into the Mainland because it’s a huge place and can be quite intimidating. Instead, they come to Hong Kong, find the right people to help them out, find a partner or whatever and use that as a platform to go into the Mainland.

Likewise, a lot of Mainland companies want to go out into the world but again, for them it’s difficult because they have been so closed in for so long, so they make use of Hong Kong.

A lot of them do their IPOs here; we’ve seen a spate of Mainland IPOs in Hong Kong this past year and there will be many more to come. For companies to get an IPO in Hong Kong they have to meet a very high level of corporate governance, and by shaping up they will be able to meet international requirements, which will make them that much stronger in the long run. In that sense, we see ourselves as a sort of fitness centre for Mainland companies to get in shape and compete in the international arena. **F**

Hong Kong was transformed from a barren rock into a pearl of the Orient by the application of free-market principles