

**Hong Kong's Advantages as a Business Platform,  
Helping Turkish Companies Tap the Chinese Mainland**

**Keynote speech at the Four Seasons Bosphorus Hotel  
Dr Victor Fung  
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Mr Rona Yircali, Thank you for hosting today's luncheon on this auspicious occasion in one of my favourite cities, cities that has virtually become my second home.

I would also like to acknowledge Mr Rifat Mr Hisarciklioglu. Both these gentlemen and many others here as well, have worked hard to advance Turkish trade.

So it gives me great pleasure, distinguished guests, ladies and gentlemen, today we have reached the first of what I believe many milestones.

After lunch the Foreign Economic Relations Board of Turkey and the Hong Kong Trade Development Council will sign a Memorandum of Understanding to take the first steps towards establishing a Hong Kong - Turkish business council whose role will be to explore and develop new business opportunities for Turkish and Hong Kong based companies.

I am also pleased to note that Hakan Bulgurlu has been selected to Chair the Turkish side of this important initiative.

Having spent 12 years in Hong Kong, which he also considers to be his second home, Hakan is uniquely qualified to fulfil this role.

It is also my pleasure today to update you on Hong Kong's business advantages, and how Turkish companies can utilise this key Asian city to access opportunities on the Chinese mainland.

Our two vibrant economies have much to gain from one another. We are each gateways to larger markets. Hong Kong companies are already discovering the value that Turkey offers as a place of business and as a regional trading hub.

Shangri-La Hotels is set to open its first hotel here in Istanbul next year. OOCL, one of the world's leading shipping companies, also has a presence in this city. And everyone knows the high regard I hold for Turkey. In January 2010, Li & Fung opened a 7,100 square meter hub in Istanbul to anchor our sourcing business in Europe, the Mediterranean, Middle East, Northern Africa and the former Soviet republics. We are impressed by the young educated work force that is highly skilled, creative and eager to work. And true to its role of bridging east with the west and west with the east, Istanbul provides us with unparalleled access to all our key markets through efficient transport and communications systems.

But today, I would like to talk about the value that Hong Kong represents to Turkish companies. I'd like to begin by outlining the city's basic business advantages.

Hong Kong's value as a world-class business platform remains, thanks to the 'One Country, Two Systems' arrangement it has with the Chinese mainland. The arrangement guarantees that its fundamental strengths shall remain unchanged, allowing Hong Kong to offer myriad economic advantages not found in the mainland.

Hong Kong is committed to free flows of trade, capital and information. The city boasts a stable and freely convertible currency, and a liberal investment regime that has prompted the Heritage Foundation to name Hong Kong the world's freest economy for 17 years straight.

Helping create this leadership recognition has been Hong Kong's low and stable taxes: the salaries tax rate is just 15 per cent with a profit tax up to 16.5 per cent; no value-added or sales tax; no capital gains tax and no withholding tax on dividends and interest. Estate duty was abolished in 2006; offshore funds are exempted from profits tax, and only Hong Kong-sourced income is taxable.

These features are backed by strong legal protection for contracts and intellectual property, and rigorous enforcement of intellectual property rights. All of these advantages have led to Hong Kong's recognition as an international city that speaks the language of global business.

In short, Hong Kong companies enjoy civil rights and freedoms protected by law, and a level playing field for business where local and international companies compete on equal footing.

These days, we see more Turkish companies extending their sourcing and marketing reach to Asia, following the eastward shift of the global economic pendulum. Asia has become one of the world's prime economic destinations, with Hong Kong serving as the region's Central Business District.

Hong Kong's total exports to Turkey grew by 13 per cent, to US\$260 million, in the first four months of 2011, after increasing 19 per cent, to US\$738 million, in 2010. Leading export items to Turkey in the first four months of this year included telecommunications equipment & parts, watches and clocks, computers, electronics and jewellery.

On the other hand, Hong Kong's total imports from Turkey soared 76 per cent, to US\$111 million, in the first four months of 2011, after surging 38 per cent, to US\$241 million, in 2010. Major import items from Turkey between January and April included iron & steel bars, rods, angles, shapes & sections, jewellery, woven textile materials, meat products, and leather.

Overall, Hong Kong's economy sustained strong momentum in the first quarter of 2011, with real GDP leaping by 7.2 per cent, after growing by 7 per cent in 2010. Total exports increased 22.8 per cent in 2010, and 19 per cent, year-on-year, from January to April this year. Imports also grew 25 per cent in 2010, and 16.6 per cent, year-on-year, from January to April.

Hong Kong is built on trade. Many of you are already aware that this city of just seven million is the world's 10th largest-trading economy, featuring the world's busiest airport for international cargo and among the world's busiest container ports.

Just last month, the International Institute for Management Development announced that Hong Kong finished first in the 2011 World Competitiveness Yearbook.

Hong Kong's advantageous location has much to offer Turkish companies. As the region's financial, logistics and communications hub, Hong Kong is already home to some 3,600 regional headquarters and offices – a 44 per cent increase over the past decade.

Most of those international companies – 83 per cent of them – were responsible for business on the Chinese mainland.

I know Turkey values its growing business with China. Total trade between the mainland and Turkey was up 50 per cent to US\$15.1 billion in 2010, while it rose another 35 per cent to nearly US\$3.1 billion in the first quarter of this year.

Those numbers are promising. And thanks to fresh opportunities made possible by China's 12<sup>th</sup> Five-Year Plan, Hong Kong's mainland connections are opening new doors for Turkish businesses. The Plan foresees that the mainland's economic growth will be driven more by domestic demand, particularly private consumption, than by exports and inward investments, which have driven its economy for the last three decades.

Before I get to those new opportunities, I'd like to first emphasise the depth of Hong Kong's existing economic ties with the mainland.

Hong Kong is the largest source of overseas direct investment on the mainland. By the end of 2010, among all the overseas-funded projects approved on the mainland, 45.4 per cent were tied to Hong Kong interests. Cumulative utilised capital inflow from Hong Kong amounted to US\$456.3 billion, accounting for 42.3 per cent of the national total.

Hong Kong is, so far, the mainland's most important entrepôt. If re-exports to and from the mainland are included, about 15 per cent of China's foreign trade was handled via Hong Kong in 2010.

According to the HKSAR government statistics, in 2010, 62 per cent of re-exports were of China origin and 53 per cent were destined for the mainland. China's Customs statistics show that Hong Kong is the third largest trading partner of the mainland after the US and Japan, accounting for 7.8 per cent of its total trade in 2010.

And so, Hong Kong's rock-solid business platform and economic connections with the mainland create three major opportunity areas for Turkish companies to realise benefits arising from the Five-Year Plan. They are:

1. China will raise its domestic consumption, which means more Turkish consumer products can access China. A major target of the Plan is to put more money into the pockets of middle and lower-income groups. This policy is boosted by a wave of pay rises that swept across the country last year. By the end of 2010, 30 provinces had raised their minimum wage, with the average rise amounting to 22.8 per cent year-on-year, a trend expected to continue over the course of the Plan period.

Hong Kong serves as a showroom for international designs and products, particularly luxury goods for the mainland market – and it is a very large showroom – last year nearly 23 million people from China visited Hong Kong, up 26 per cent over 2009. One Turkish company likely to benefit from the drive towards higher consumption is the wine company Sardis, which exhibited to Chinese buyers at one of Hong Kong's largest wine fairs last year. Sardis understands that Hong Kong is ideal for making the right mainland business connections.

2. China's rising consumer demand will facilitate brand-building, which creates an opportunity for Turkish brands and designers to develop their China business via Hong Kong. China's personal consumption is only one-sixth that of the US, but its growth will produce significant effects. For example, the mainland is now the world's largest car market and the second largest luxury market. There is opportunity here for the growing number of internationally known Turkish designers. They need only follow the blueprint of other foreign companies that have established a Hong Kong base to help build brands in the mainland market.

Other well-known Turkish consumer brands ARZUM and Vestel already maintain Hong Kong offices to help operate their China businesses. Atasay, a Turkish gold jewellery company, maintains an office in Hong Kong to complement its operations in nearby Guangzhou and Shenzhen. These companies undoubtedly appreciate the ease of doing business in Hong Kong.

3. China's urbanisation effort will increase building and construction on the mainland. Turkey's construction industry is capable of handling projects of any size, with many of its contractors among the best in the world. Such skills would be well-positioned in Hong Kong to capture China's Five-Year Plan urbanisation building needs. An example here is Premier Wen Jiabao's announcement that the government plans to build 36 million affordable homes by 2015. Hong Kong stands ready to assist here by means of its technical know-how and project-financing capabilities.

This leads to another Hong Kong strength that Turkish companies should consider: the city's formidable fund-raising potential.

Hong Kong is China's international financial capital and one of the world's great financial centres. Last year, the city attracted US\$48 billion in foreign direct investment – making it the world's fourth-largest FDI market. Its stock market is the third-largest in Asia, and seventh-biggest worldwide.

Still with finance, with Hong Kong serving as China's biggest offshore Renminbi market, the city is ideally positioned as an RMB trade settlement centre for China-Turkey trade. This is especially attractive for the growing number of Turkish traders and investors wanting to tap into the mainland.

Friends, I can assure you that Turkish companies do not require billion-dollar IPOs to find success in Hong Kong.

In fact a growing number of Turkish businesses are seeing the benefits of Hong Kong's strengths as Asia's trade fair hub and an ideal platform to meet quality mainland traders. Last year nearly 4,200 Turkish buyers attended trade fairs organised by the Hong Kong Trade Development Council, the city's official trade promotional organisation. That number is up from less than 2,600 in 2009.

The Council – we call it the HKTDC for short – noted that the numbers of Turkish exhibitors are rising at a similar rate. That is good news for those wanting to make China business contacts. In all, the HKTDC hosted more than 127,000 buyers from the mainland last year, up some 14 per cent over the previous year.

The massive, year-round Chinese presence in Hong Kong – from tourist shoppers, to trade buyers to financial players – is a big reason behind the city's rise to what many agree is the world's best place to showcase products and services targeting the mainland.

Whatever your business, there has never been a better time than now to work with Hong Kong in finding future markets on the mainland. Hong Kong's overall advantage can be summarised in its knowledge and experience in the China market. When balanced with its international business practices, it means Turkish companies can benefit from such a value-adding platform.

I will conclude by saying that the aforementioned HKTDC would be pleased to help you with your Hong Kong and mainland business connections. In late 2010 it opened its 41<sup>st</sup> global office here in Istanbul.

The HKTDC's Turkish representative is here with us today, Ms Perran Ersu is joined by HKTDC's Regional Director for Europe, Ms Lore Buscher. They will welcome the opportunity to talk to you.

Just like Hong Kong, the HKTDC never stops working, and is always open for business. Thank you for your attending today, particularly a sunny and warm Saturday.