

# 'Tiger Crane' outlook keeps Financial Secretary focused

Civil Service Newsletter Editorial Board

■ THERE is an almost Zen-like calm surrounding the man who holds the reins to Hong Kong's financial future. Given the pressure that comes from holding the job as Financial Secretary (FS), John Tsang Chun-wah's steady, serene outlook is all the more impressive.



Mr Tsang during his interview with the Civil Service Newsletter.

This he puts down to his many years of training in fencing and the martial art of "tiger crane" kung fu. Both disciplines, he says, help develop one's determination and power of concentration. "One can learn how to maintain a clear and calm mind when

facing an opponent. When fencing, a moment's distraction will give the opponent a chance to take advantage and attack. If one is anxious and too eager to launch attacks, one may be thrown off balance and expose his/her weaknesses, and as a result, be defeated," Mr Tsang said.

This strength of mind may serve Mr Tsang well, given the global volatility and pressure facing Hong Kong's economy. The next Budget, he says, will definitely be more challenging in light of a slowdown in growth of advanced economies in Europe and the United States, financial turbulence and the global trend of rising inflation.

"I am particularly concerned about the impact of the rising cost of living on the lower income group in our society. My priority will be to roll out more measures to help tide them over," Mr Tsang said.

## Business opportunities

Mr Tsang says he will be placing much emphasis on the creation of business opportunities. "I will step up our outreach to the emerging economies and strengthen our international ties. In the past few months, we have led delegations from different sectors to Russia, Vietnam, India and the Middle East."

He says the business delegation he led to India last December was a good example of how actively engaging such burgeoning economies could result in great benefits

for Hong Kong. "The resultant increase in the number of direct flights between Hong Kong and Indian cities as well as triple-digit increases in our exports to India in the past few months are not mere accidents that just happened. They are clear indications of the enhanced interest between Hong Kong and India," he said.

Mr Tsang says one of Hong Kong's big selling points is its free-market economy, "Hong Kong is very open and there is also our geographical advantage — we have the Mainland, our hinterland just to the north of our boundary."

And it is not just Asia's emerging economies that are on Mr Tsang's list. Recently he visited Central Europe. He sees big two-way trade opportunities with this part of the world and later this year he will be visiting other emerging markets in South America to further explore opportunities.

"The Government's role in this opening-up process is to explain Hong Kong's advantages to business leaders in these



Speaking at the Closer Economic Partnership Arrangement Supplement IV Business Forum.

new markets, raise the profile of our city and build closer international ties," Mr Tsang said. "The rest is up to the business community. With Government leading the way, I hope that the private sector will find it easier to do their jobs more effectively. This is a modality that seems to work and I will continue to build on our successes."

## External challenges

The FS says that from a longer term outlook, his biggest challenge will come from the external front. "Hong Kong will face increasing competition brought by globalisation and the emerging regional economies," he said.



Presenting souvenir to the Governor of the Bank of Slovenia, Dr Marko Kranjec, during a round of top-level meetings with government officials and business leaders in the Slovenia in May.

“Meanwhile, the rapid development and progress of Mainland cities will also bring more competition to Hong Kong. With the increasing modernisation of the Mainland’s financial system and the development of other financial centres there, Hong Kong’s comparative advantage in Mainland-related intermediation may narrow. To maintain its long-standing position as an international financial hub, Hong Kong must strengthen and expand its customer base for financial services in the region,” he added.

Mr Tsang says to meet the challenge from increasing competition, Hong Kong must also maintain and promote its role as an international cosmopolitan city while continuing the integration with the Mainland economy, facilitating business activities, encouraging creative ideas and promoting the use of technology. “Global competition is ultimately a competition for talent,” he said. “The Government will continue to invest heavily in education and retraining as well as create more favourable conditions to attract talent from around the world.”

### Keeping inflation in check

Inflation is another problem Hong Kong is facing as a result of global conditions. “The building-up of inflationary pressure is mainly due to the rising food and energy prices in the international markets as well as the strong economic expansion over the past four years or so,” Mr Tsang said. “Indeed, this is a global phenomenon, as inflationary pressures are increasing around the world.

“In Hong Kong, which is a market economy, changes in prices are part and parcel of the adjustment mechanism to balance demand and supply. Yet we will do all we can to mitigate the inflationary pressure. For example, we will continue our communications with the Mainland authorities to ensure a stable supply of food for Hong Kong, ensure effective market competition at the import and retail levels so that consumers can enjoy a wider range of product choices at competitive prices, and provide adequate land to meet market demand in order to ease the upward pressure on property rentals and prices. Also important is to increase the productivity of the economy to contain the cost pressure.

“We are particularly concerned with the impact of inflation on the lower-income families and the underprivileged. The various measures announced in the 2008-09 Budget will help alleviate to some extent the impact of inflation on these people and also push down somewhat the inflation rate,” Mr Tsang said.

### Boost for construction

In his February Budget Speech, Mr Tsang estimated the Government would spend around \$21.8 billion on new infrastructure in the next fiscal year and this, he says, is expected to create about 27,000 construction jobs. “This should help the recovery of the construction industry, which has been rather sluggish for some years.

“More importantly, we have to look beyond 2008-09. Over the next few years, we will vigorously implement various infrastructure projects, including the 10 major projects announced by the Chief Executive in last year’s Policy Address. The construction of these projects will create a lot of job opportunities for construction workers and help improve their livelihoods.



“When completed, these infrastructure projects will enhance the connectivity of Hong Kong with the Mainland and the rest of the world, enrich our cultural life, create new development opportunities, consolidate our status as a global city and lay a new foundation for our sustainable development,” Mr Tsang said.

The Government will run a small budget deficit in 2008-09, due to the various measures announced in the Budget. “Most of these measures are one-off and time-limited. Hence they will not have long-term implications for the Government’s fiscal position and are consistent with our principle of fiscal prudence,” he said.

He says some of these measures are for the longer-term development of the community, such as the one-off fund transfer to University Grants Committee and cash injection to Mandatory Provident Fund accounts, and will not have an immediate impact on the economy.

### Taking the lead

As Chair of the World Trade Organization (WTO)’s Sixth Ministerial Conference in December 2005, Mr Tsang showed enormous discipline and stamina despite the pressure and long hours. This he did by staying focused on the end goal.



Chatting with a shopkeeper during his visit to Kowloon City.

that much of the credibility of the multilateral trade platform, which Hong Kong had championed all along, was at stake, so

“I always think that a good leader should devote most of the time to think about the future rather than dwell on the past. In such a multilateral forum as WTO, there were inevitably numerous disputes on multiple fronts when we came the long way to the negotiation table. At times, that could be distracting and frustrating,” he said.

Mr Tsang says he was convinced

there was no time to waste. “When you focus on the common goal, it becomes much easier to concentrate on the work and maintain the discipline despite the gruelling hours.”



Meeting India's Minister of Finance, Shri Palaniappan Chidambaram in New Delhi last December.

### Lessons learnt from crisis

As to Hong Kong’s property market, Mr Tsang is cautious, but not overly concerned about a speculative frenzy happening anytime soon. “The strong expansion of the Hong Kong economy over the past four years or so has been the key factor underlying the fairly robust performance of the local property market.

“The lowering of interest rates is another favourable factor, but interest rates are only one of the considerations in households’ and investors’ decisions to purchase a property. It is difficult to say that low (or negative) real interest rates will necessarily lead to speculative activities in the market.

“Also, the latest situation as indicated by the overall property transactions and speculators’ share in transactions is much less frenzied than that in 1997,” he said. Mr Tsang is also confident that most property buyers will be more cautious now than before, partly because of the lessons learnt from the Asian Financial Crisis.

### Hong Kong firms on the Mainland

The Mainland authorities have introduced a series of new policies and measures in recent months, such as adjustments to the processing trade policy, introduction of the Labour Contract Law, and tightening of environmental requirements. Mr Tsang says he believes that such policy changes will bring



Mr Tsang (second left) touring the Hong Kong Gifts and Premium Fair after its opening in April.

about sustainable and healthy development for the national economy in the long term, and will provide fresh impetus to Hong Kong's growth.

"Notwithstanding this, we understand that Hong Kong companies on the Mainland are facing a tough challenge brought about by these policy adjustments, as well as other factors such as the rising costs of raw materials and appreciation of the Renminbi. We believe that with the efforts of our enterprises and the support from the Government, the challenges arising from the recent policy changes on the Mainland could become new development opportunities for our enterprises," he said.

### Making time for family

Despite his gruelling workload, Mr Tsang makes sure he has time to spend with his wife, Lynn, and two grown-up children, Terrence and Prudence. The FS says family time is especially important now as his two children are back working in Hong Kong after many years studying and working abroad.

As a practitioner of "tiger crane" kung fu, Mr Tsang appreciates the importance of keeping a balanced lifestyle, so he also makes time for leisure activities. "I really like movies; I watch at least one film in the theatre each week. I like music, all sorts really, but especially light jazz. I have a very good collection of CDs and DVDs. I also play guitar, but not very often, folk music of the 1960s and 1970s."

Asked if he had anything to add, Mr Tsang said he wanted to take the opportunity to thank all the civil servants who were involved in the Government's response to the unprecedented rainstorm that flooded parts of Hong Kong in June, causing severe difficulties for people across the territory. "I would like to thank personnel from the emergency services, the works departments, the Government Flying Service, the Home Affairs Department and all those who helped in the emergency response. I am also grateful for the work of everyone involved in dealing with the aftermath. On behalf of the Government as well as the community at large, I wish to thank them for their professionalism and dedication in carrying out their work."



Greeting elders during a visit to the Scenic Resort Nursing Home in Oi Tung Estate, Shau Kei Wan in February.