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**K K Yeung, Vice Chairman
Hong Kong General Chamber of Commerce**

“The Knowledge Economy and the CEPA Master Project”

Mr. Alan Wong, Miss Patty Wong, Ladies and Gentlemen

I take great pleasure to be invited by the Project Management Institute Hong Kong Chapter, to address this distinguished gathering. Today I speak on behalf of the Hong Kong General Chamber of Commerce, the business association of Hong Kong with the longest history and the broadest spectrum of membership across different sectors.

In this opening plenary, I would like to share with you a more macro perspective, of how we see Hong Kong should position itself in an increasingly globalised knowledge-intensive economy. I shall then share with you our experience with managing CEPA, a “master project” for the Chamber and for Hong Kong.

From Knowledge-Based to Knowledge-Intensive Economy

By definition, a “Knowledge Economy” is described as a highly advanced economic region where a large majority of businesses are associated with high value-added commercial activities and leading-edge intellectual assets. This is a best description of Hong Kong itself.

Today, Hong Kong is the eleventh biggest trading entity in the world. More goods are exported from Hong Kong than from India, Australia and Thailand combined. What is more peculiar about Hong Kong is that 90% of our

exports are not locally manufactured. Our economy is predominantly services-based. Our service industries now contributes to over 86% of Hong Kong's GDP, rising from 67% twenty years ago. Our manufacturing industry, at the same time, has scaled up their operations in China, thus reducing their low-value economic activities in Hong Kong. Twenty years ago, manufacturing accounted for 23% of the economy, now it is only 5%. 84% of the working population are now engaged in the services sectors, of which over 30% are in managerial and professional occupations.

This last figure is significant, in that it reflects the knowledge-intensive nature of our service sectors. If we look more closely at the composition of our service industries, you will see that a large part of them are what academic economists call "producer services", in other words, the client of the service is not the ultimate consumer, but a business entity, a producer. In fact, three of the four "pillar industries" named by the government to be banking, logistics, and professional services are dominated by producer services. The fourth pillar industry, tourism, is arguably a consumer service industry, but even here, unlike other Asian cities, Hong Kong's tourism sector has a disproportionately large segment serving business visitors, therefore making it also a producer service.

This "producer service" character underlines the drive towards the knowledge economy.

There is a huge difference between a producer client and a consumer client. For consumer-service economies, like some resort cities, the full value of the service dissipates at the point of consumption. For producer services, however, the producer buys the service to enable it to produce further, i.e. to generate further value. What the producer buys, at the end of the day, is knowledge embodied in different forms or knowledge which it then uses to

further its own production.

I think this is a point well understood by project managers, most of whom, I guess, are engaged in “producer services”.

The service sector depends on people. A knowledge-based service sector depends more on people. For a small city lacking natural resources like Hong Kong, human capital is our only asset in generating economic vitality. Our professional services providers have done a great deal to maintain Hong Kong’s attractiveness as a world-class business center, but we must continue to develop to stay ahead. Instead of standing still, we should take off from a knowledge-based economy to become a knowledge-intensive economy.

World-class service skills will command a premium. We must make sure we have invested appropriately in education and training to ensure our services are really world-class. Our profession should focus not only on building their knowledge assets, but also make sure that this knowledge is effectively identified, distributed, shared and used. In short, we need to be continually improving.

Positioning Hong Kong within a growing region

It is not sufficient to develop our own knowledge economy. We should take one further step, as our economic development is so closely intertwined with that of the Pearl River Delta. Last year the Chamber’s policy think tank, the Hong Kong Coalition of Service Industries conducted a study to formulate a “blueprint” for Hong Kong and to identify Hong Kong’s long term role in the Pearl River Delta. The study concluded that any vision for Hong Kong’s future must be a vision of Hong Kong with the PRD, not a vision of Hong Kong on its own.

The most important message to share with you from the Chamber study is the overall vision that Hong Kong and the PRD should develop together as the services megalopolis of China and the world. Under this broad vision, further vision statements have been developed. Let me name some of them briefly:

1. In terms of institutional structure, the vision is that of an integrated Hong Kong and PRD in partnership with each other, with stronger institutional linkage between the private and public sectors of both sides.
2. Hong Kong should be a place of talents and a place to attract talents.
3. There is a fully connected Hong Kong/PRD region, with an integrated transport infrastructure that enhances tourism, logistics, distribution and mobility of people.
4. Hong Kong and the PRD should, together, become the most dynamic financial, tourism, distribution and information hub.
5. Hong Kong and the PRD would together offer the most vibrant and efficient services with Hong Kong as the prime management centre. In a way Hong Kong would be the Fifth Avenue while the PRD would be the mega shopping centre.

The study generated 80 recommendations all have to do with strengthening Hong Kong's relationship with the Pearl River Delta, and they cover various aspects like education and training, immigration, environmental cooperation, the idea of a Greater PRD Council, and so on. I am happy to say that we found many of these recommendations quite similar to what the Chief Executive Mr Tung Chee Hwa put forward in his policy address in January this year. The substance of these recommendations is found again, in the measures of cooperation between Hong Kong and Guangdong which Mr. Tung announced together with Guangdong Governor Huang Huahua in August.

The Chamber study is one of envisioning, and as such it is the first step in project development. One could also say that the outcome of the study, the eighty recommendations, means many more projects to be developed and managed. So here I must say a few words about project management.

Project Management is a Profession

I am a management consultant and in that role I have managed many projects. But I know that the type of project that I do is often quite different in nature from those of this audience. It will be presumptuous of me to tell you how to do your work; indeed, the projects are different, the nature of the professions are also different. On the other hand, as far as project management is concerned, I do see a great deal of commonality between the different professions.

Irrespective of profession, as a skill, project management leadership is highly desirable and sought-after. It is about the application of knowledge, skills, tools and techniques to a broad range of activities in order to meet the requirements of a particular task. In a broader sense, it is not limited to the “traditional” project management sectors such as construction, engineering or product development. It could well apply to initiatives from multi-sectoral groups, and therefore it is widely used by governments, multinationals, and smaller organizations alike, as a means of meeting their constituents’ needs.

The Center for Business Practices in USA has polled 1,000 project professionals and senior executives from Global 2000 companies in a survey. The survey reveals that many companies do not have sufficient in-house expertise to accomplish project objective. It discovered that about 39% of the companies are outsourcing project management functions through the use of

consultants or new staffing. From the survey, we certainly see a growing global market in project management.

The quality of project deliverables is related to the quality of the tools we can use. Hong Kong is good in this as it is a master of re-invention; our business people are good at making use of new technologies and new business models. In the context of Hong Kong/PRD economic integration, this is all the more important.

I have to stress that project management goes much beyond the itemization of technical details. Project managers need to master the strategic thinking skills necessary to foresee the end result of the projects and the business value they will create.

However, in many corporations, project assignment is usually based on staff's technical competency rather than their knowledge and skills on strategic thinking. One needs to be good at not only initiating, budgeting and executing projects, but also planning, controlling as well as managing changes particularly risk management. The PMI has conducted a Project Management Practices survey of which, we can learn on this aspect. Also, I am sure we will have a good chance to also learn from the findings in this Conference.

The HKGCC's Master Project: CEPA

Whatever tools or techniques we use, at the end of the day, project management is about success. I want to emphasise that the key is not just "completion", but "success", or better, "continual success". In this regard, the title of this Conference, "Project Management in Knowledge Economy", is very meaningful. It implies that project management is no longer about just

the project itself. A knowledge economy is a growing economy, a more complex economy, and a globalized economy. We need to think more in terms of multi-stakeholders, of longer-term impacts, and in different arenas. Put simply, one needs to look beyond the immediate tasks in the course of project management.

Let me take this opportunity, therefore, to tell you briefly about a “master project” of the Hong Kong General Chamber of Commerce, namely, the Closer Economic Partnership Arrangement, or CEPA. CEPA is an idea conceived of by the Chamber initially, and then pursued vigorously by the Hong Kong SAR Government and the Central Government. Although we are not a party to the actual CEPA negotiations, which is a matter between governments, the Chamber has contributed actively, and persistently, every step of the way throughout the process.

As we know, CEPA is a free trade agreement offering early liberalisation of trade to Hong Kong enterprises. For manufactured goods, CEPA reduces all import tariff to zero, while eighteen service sectors will be able to do business in China with more favourable treatment. The rules and procedures in the Mainland on trade and investment will also be simplified.

CEPA benefits not just Hong Kong, but other economies, notably Mainland China. It is not a “big gift” from the motherland, but a mutually beneficial arrangement.

With CEPA, the way is now open for China to build up the capacity of its service industries as well, through the participation of Hong Kong service suppliers. Such capacity building will enable China’s own service industries to become more competitive in the global market. It will also help China adjust to the challenges of implementing its WTO commitments.

My final point about CEPA is that it has long-term consequences for the Mainland and Hong Kong relationship. CEPA is not a one-off project. It will not stop at the 18 services sector, but will continuously be improved. Under the agreement, there is a mechanism for further rounds of negotiations to take place, and for new liberalisation commitments to be added. What we have seen from CEPA is just the beginning, both governments have already promised more to come.

Conclusion

China's rapidly expanding economy, its entry into the WTO, and its emergence in the world stage such as through Beijing Olympics 2008, have caused China to foster an expedited development program. There will be substantial demands for modern development projects, covering infrastructure, e-commerce, IT, logistics. That means a substantial demand on project management. The challenge before us is one of "professionalizing" China, and we can help contribute to this by being a trustful CEPA partner.

I have no doubt that there is a huge market opportunity before us, as we integrate further with the Mainland. I am confident also that with CEPA, Hong Kong and the Mainland's professionals can cooperate to make Hong Kong and PRD, together, a world-class, regional knowledge-intensive economy.

I hope my general overview will help and give some perspective to the future development of project management. Thank you.



Main Themes

Vision for the PRD : Analytical Framework



Hong Kong General Chamber of Commerce
香港總商會 1861

Major Issues

Vision

Recommendations

