

The American Chamber of Commerce in Hong Kong  
Chairman 2005 Inaugural Speech

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Let me begin with a promise.....

I will do my best to obey Caughlin's Law.....

I can see you are wondering who this guy Caughlin is and what his 'law' might be.....

Well, its "Don't talk unless you can improve on the silence"  
.....

I'm pretty sure Caughlin was a lawyer.....

I'll also try to adhere to Franklin Roosevelt's axiom.....

"Be sincere, be brief, be seated" .....

I hope to improve on the silence for the next 15 or 20 minutes, be 'sincere' and then 'be seated'.....

Thank you Lucille for the kind introduction and for leading the Chamber so effectively this past year.

Thank you to my Honorary "Co-Chairman" Consul General Keith, to the Past Chairmen (I think there are 10 of them) and to all of you for being here today.

It is a real honour to be elected this year's Chairman and to lead the Chamber in what will be a milestone year.

This is a very special day for me.....

On January 25th, 1985, ..... exactly 20 years ago..... I landed at old Kai Tak Airport for what was to be a two-year tour of duty in Hong Kong.

As has happened to so many of you, the 2 years became 4, 4 became 8, and 8 became 20.

One of the first things I did, when I arrived, was to become the Company Representative of AmCham for my firm and get involved in the Chamber's Law Committee.

Over the years I have been Co-Chair and Chair of the Law Committee. Co- Chair of the Ball Committee and for the past 6 years a member of the Board of Governors.

The Chamber has always been an important resource for me, both professionally and personally.

It's a truism worth repeating that only you get out of an organization as much as you put into it.....

I urge you all to get the most out of the Chamber by getting active in Chamber committees and activities.

The committees are the backbone of the Chamber and to a great extent drive its initiatives.

How active can you become? Well here are some of the Chamber's accomplishments this past year:

We hosted 100 breakfast and luncheon programs....

32 conferences, seminars and training workshops....

178 Committee meetings - a total of 310 functions....

Attendance at these events totalled almost 9,500 people!

Amongst our signature events were three major Conferences featuring international experts in their respective fields:

\*the 13th annual Human Resources Conference,

\*the 11th annual China Conference and

\*the 2nd annual "Women of Influence" Conference and Awards program

The latter conference is unique in Hong Kong and an event that I am very proud AmCham founded and will continue to support.

Our signature social event was the AmCham Ball, held last March and a huge success, with almost 900 people in attendance.

Chamber delegations visited Macau, Shenzhen, Guangzhou, Shanghai, Beijing and Washington D.C..

Special Board-level committees were formed to review constitutional development in Hong Kong, the issue of globalization and competitiveness and to revise the Chamber's By-laws and Memorandum and Articles of Association to improve the transparency of Chamber governance.

The Chamber has 26 active committees and almost 2,000 members. It is the largest international Chamber in Hong Kong.....

It is a mission-oriented organization and its mission is straightforward:

"To foster commerce among the United States of America, Hong Kong and mainland China; and to enhance Hong Kong's status as an international business center."

To do this, AmCham abides by 6 Core Values:

- \* Free Trade
- \* Open Markets
- \* Private Enterprise
- \* Rule of Law
- \* Ethical and Responsible Business Practice
- \* Transparency & the Free Flow of Information

These Core Values guide every position taken by the Chamber..... They have served the Chamber well and will continue to do so in the future.....

I mentioned earlier that this would be a milestone year for the Chamber. It will be one of both change and continuity.

The most significant change from the Chamber's perspective is the retirement of Frank Martin after 14 years as the Chamber's full-time President.

We have been very fortunate to have someone of Frank's caliber and ability running the Chamber through what have been some of the most interesting and challenging times in Hong Kong's history.

From the booming 1990s leading up to the handover.... through the Asian Financial Crisis and the millennium Frank has done a superb job of keeping the Chamber focused on its objectives and serving its members needs and demands.

We will miss Frank, and his wife Noriko, and wish them well on their move to Scottsdale, Arizona.

Not one to stay idle, I understand Frank has already become a founding member of the Scottsdale/Hong Kong Association, and will continue to wave Hong Kong's flag in his new home. Frank and Noriko's son and daughter-in-law live in Hong Kong so they will have a good excuse to visit often.

At a special Board meeting in mid-January, the Board voted to make Frank a lifetime Honorary Member of AmCham. We aren't going to let him go that easily!

Tributes to Frank from our government have included a special citation from the U.S. Department of Commerce, a personal letter of thanks from President George W. Bush and a folio of testimonials from a long line of US Consuls General in Hong Kong who have worked with Frank.....

Creation of the most lasting tribute has been spearheaded by Consul General Keith and his staff.....

This is an effort to establish 5 privately-funded Fulbright scholarships in Frank's name which will enable Hong Kong graduate students to study at prestigious universities in the United States.

Frank has been deeply involved in education in Hong Kong as a leader in everything from the Boys Scouts of America to Hong Kong International School to the creation of the America Center on the campus of Chinese University.

Fulbright scholarships named for Frank Martin are truly a fitting tribute to his 28 years of continuous contributions to the American community in Hong Kong.

Although Frank will be leaving us early next month, he will be returning to Hong Kong in mid March to maintain his unbroken record of attending the "Rugby 7s" tournament – I believe this will be his 29<sup>th</sup> - as well AmCham's "Crystal Ball" on March 12th.....

More about that in a few minutes.....

We will host an Amcham event for Frank when he returns, so you will all have a chance to thank him directly for all he has done for our Chamber and our community.

There will be no void left in AmCham leadership, however. A succession plan is in place and, some months ago, the Board established a Presidential Search Committee, headed by former Chairman Paula DeLisle.

Thank you Paula for all your hard work on that.....

Paula and her team, along with the executive search firm, Korn Ferry, engaged in a global search for a new President.

After a long and thorough process that reviewed almost 200 applications, the Committee made its recommendation to the Board and, 10 days ago, the Board approved the selection of Jack Maisano, as the Chamber's next President.

Many of you may remember Jack from his 20-plus years in Hong Kong with Asiaweek magazine, the Far East Press and The Asian Wall Street Journal. Jack was long and active member of the Chamber and a founder of some of its committees. He also served on the Board of Governors in 1989 and 1990.

For the past two years Jack has been the President of the China Institute in New York, a non profit organization founded in 1924 to foster the understanding of Chinese culture, heritage and civilization.

We are very pleased to have lured Jack back to Hong Kong to become the Chamber's next President. Jack will take up his position at the end of next month....

After he has had a chance to settle in, the Chamber will host a lunch at which you will have an opportunity to meet him and hear his views on his role as the new President.

So what else is in store for the Chamber in 2005?

Before I get into specifics, I'd like to remind you of the 5 key Objectives of the Chamber:

- \* To represent our diverse membership on issues of common concern.....
- \* To provide a forum for networking and access to information.....
- \* To serve as a trusted and influential advocate with governments.....
- \* To encourage civic-minded participation in the Hong Kong community.....
- \* And to promote the Chamber's core values.

With that in mind, let me get to some specifics:

First, I will commence a strategic planning exercise to prepare for the Chamber's development over the next 3 to 5 years. I will ask the Board next week to approve the establishment of a special Strategic Planning Committee for that purpose.

The Chamber has historically broadened its scope of service to members to match the growth of business in Hong Kong and China and must continue to evolve to meet the enhanced demands of its membership.

Through this strategic planning exercise we can identify what the Chamber should do to maintain its status as the premier International Chamber of Commerce in Asia.

I will also conduct a membership survey to identify what the Chamber is doing right for its members and, more importantly, how the Chamber can better serve its members.

Results of this survey, together with results developed by the Strategic Planning Committee will offer us a clear blueprint for the Chamber's near-term future and development.

Continuing a practice that began in 1991, the Chamber will again organize and participate in 'door knocks' to both Washington D.C. and Beijing to meet with government officials and relate the concerns of its members to those officials.

The Chamber will also continue to meet privately with local government officials, business leaders and politicians through its Government Relations Committee and invite them to address Chamber events. Such meetings and events help the Chamber keep its 'finger on the pulse' of what is happening in Hong Kong and to make sure its views remain constructive and are well understood by those in a position to shape Hong Kong's future.

Important issues we will look at this year include:

The protection of intellectual property rights in both Hong Kong and China.

A couple weeks ago I joined other members of the Chamber's Intellectual Property Committee to attend U.S. Ambassador Sandy Randt's, "Roundtable on Intellectual Property Rights in China," in Beijing. The keynote address at that event was given by U.S. Secretary of Commerce, Don Evans.

Secretary Evans complimented Hong Kong for its efforts at protecting intellectual property rights in Hong Kong. He also noted that, despite recent positive developments, China still has a long way to go to improve its record in this regard.

It is instructive to note how successful China has been at protecting its own intellectual property rights related to the 2008 Olympics while simultaneously claiming it has difficulty doing the same for the likes of General Motors and Microsoft.

Chamber leaders will work with the IPR Committee to advocate improvements in IPR protection in China and to support efforts by the Hong Kong Government to continue to fight piracy of goods in Hong Kong.

Almost 70% of counterfeit goods which arrive in the U.S. originate in China. This is a staggering figure and represents the loss of billions of dollars to affected companies. A significant portion of those stolen goods are trans-shipped through Hong Kong. Steps must be taken to tighten the loopholes which allow this to occur.

We will closely monitor progress of constitutional development in Hong Kong in 2005.

Last year, an ad hoc subcommittee of the Board began to study this issue, with a view to developing a Chamber position paper.

I will see that the process is continued, so the Chamber is in a position to make a positive contribution to this ongoing debate.

Any consequent Chamber position will be based on two of our Core Values: Adherence to the rule of law, and transparency and the free flow of information.

Fostering constitutional development in Hong Kong is important to our members and is vital to enhance Hong Kong's stature as an international business center. The Basic Law clearly states that the ultimate goal is the election of both the Chief Executive and Legislature by way of universal suffrage.

We will continue to monitor the governments plans to broaden the tax base and provide the government with our views on this important issue.

Chamber members are justifiably concerned and will be directly affected by choices the Hong Kong government will make in its efforts to broaden the tax base.

There are good reasons why a broader tax base is required in Hong Kong.....

As the SAR moves toward a more representative government a broader tax base is highly desirable.

A tax system that includes a greater proportion of Hong Kong's population is one in which the stakeholders of political power will more likely use it wisely.

It has long been the Chamber's stated view that any revisions of the tax system or increases in current taxes must be balanced by rigorous containment of all areas of government spending.

The Chamber opposes introduction of a GST or sales tax for many good reasons:

It would be highly regressive, complex for businesses to administer, weaken Hong Kong's retail competitiveness and likely be subject to incremental increases once introduced.

The fact that Hong Kong is the only developed economy in the world *without* some sort of consumption tax is one of this economy's triumphs and remains one of Hong Kong's most competitive and unique advantages.

I was pleased to hear Chief Executive Tung state in his policy address two weeks ago that no GST or sales tax would be introduced during the rest of his term of office.

AmCham members would prefer to see a revised tax system that brings a greater number of wage earners into the tax system, while ensuring that the lowest income groups are well protected.

Where over 60% of the population pay no salaries tax at all and 88% of the salaries tax is paid by less than 10% of the population, there is plenty of scope to expand the tax base.

Hong Kong's and the Pearl River Delta's environmental pollution is bad and getting worse and we must urgently do something to control it.

One only has to look out the window to see that air pollution has grown significantly worse. Not surprisingly, in last year's Business Outlook Survey, the quality of the natural environment ranked as one of the most unfavourable attributes affecting Hong Kong's business environment.

I know the Government has been working on local initiatives to limit the amount of pollution created in Hong Kong, but more must urgently be done to work with our neighbors to the north.

The international business community needs to help Hong Kong and the Pearl River Delta clean up their acts for the sake of our businesses and for the continued health of all of us who live here.

Maintaining Hong Kong's status as a regional business hub depends in large part on its quality of life. I have asked the Chamber's Environment Committee to develop workable recommendations, and to lead an advocacy program which can be made to governments on both sides of the border to help solve this socially expensive and life-threatening problem.

We will work with Hong Kong government and businesses to help make Hong Kong China's trading window to the world.

Historically, Hong Kong has been a window and stepping stone for U.S. and international business investment into China.

While Hong Kong will continue to serve this purpose well, it also has the potential to become the window and stepping stone out of China for Chinese businesses looking to invest overseas.

I believe the Chamber can become the premier organization to offer that window of opportunity to Chinese companies seeking expansion overseas, and especially those looking to enter the U.S. market. I will work to assure that this great partnership opportunity is realized.

Finally, I invite you to look into our "Crystal Ball"

I can't read your individual business futures, but can guarantee you will "have a ball" in your personal future by attending ours.

AmCham's annual ball is the Chamber's social event of the year and one of Hong Kong's premier social events.

The theme this year is "The Crystal Ball," and it promises you, your social and business partners, and your clients an elegant evening of dancing, entertainment, great cuisine and high spirits.

Mark your calendars now. The date: March 12th. The venue: Hong Kong Convention Center.

Invitations are on the table outside. Book soon, or you may find yourself on a waitlist for tickets!

2005 promises to be an active and challenging year for the Chamber. I look forward to working with all of you toward greater prosperity and quality of life in the months ahead.

Thank you for being here today and for supporting the Chamber.