

## China' WTO entry influences Hong Kong

John Ng, Hong Kong's "Graphic Arts Association's" (GAA) Chairman in 1999 - 2000, reports on the effects of China's WTO entry to the Hong Kong printing industry.

"After 13 years of on-again, off-again negotiations, China and the US finally reached an agreement on China's entry into the WTO. At the earliest, China is expected to formally join the body in Spring of 2000. China has pledged within the next 3 to 5 years to open up the telecommunications, insurance, financial, movie, tourism, agricultural, export and local retail markets. It will also open up services and support industries such as transportation, warehousing, advertising and distribution. China will gradually remove import quotas and significantly reduce border taxes. Tax rate for paper will be reduced from the current 15 to 25% to 7.5%.

In light of China's impending entry into the WTO in Spring 2000 or otherwise, the Hong Kong government should quickly form a panel to study the effects of this on Hong Kong, and how Hong Kong can capitalize on the opportunities this will present. In the next 3 to 5 years, foreign investors will flock to Hong Kong to establish a beachhead to enter the China market. Likewise, foreign companies and multinational companies will be arriving, helping to kick start our economy out of its trough. The printing industry, especially financial and commercial printing, will benefit from this influx.

Yet in the long term, Hong Kong's gains from being a middle man to China will diminish. Over time, foreign investors will catch the nuances of China business. As they have strong financial backing, it would be difficult for Hong Kong businesses to compete against them. In the printing industry, however, there are differences. Currently most of Hong Kong's packaging printers have already moved to China. Although they may face competition from local or foreign investments, the rapid development of industries will assure a large demand for packaging printing.

Today, China is still the second largest export market for Hong Kong's printing after the US. I believe that if China relaxes its policy on publishing and printing, together with border taxes reduction, Hong Kong will remain to be a strong competitor in the printing world. However, Hong Kong lags behind Europe, US and our neighboring countries in training and education of professionals in the printing industry. As China steps into the world economy with its entry into the WTO, our lack of trained professionals will seriously hurt competitiveness.

Another key issue is terminology. China and Hong Kong uses different words to describe certain printing processes and mechanisms. This is a problem in customs declaration for which Hong Kong businesses are suffering. As it is likely that Taiwan will follow in China's footsteps to enter the WTO, problems due to such terminological differences will definitely rise with increasing trading between Greater China. Last year the "Hong Kong Printers Association" organized a seminar to unify Chinese terms used in printing. Subsequently, a committee on standardization of printing terms was formed. However little have been achieved to date due to funding problems. I hope that the government take a long term view and support this project. This will enable us to establish a panel of experts to standardize printing terminology. We will then be able to minimize losses and problems due to miscommunications between China, Taiwan and Hong Kong printing organizations."

Hong Kong is one of the top printing centers in the world. It has built an enviable reputation over the last half century for the quality of its work, its competitive prices and fast delivery.

Hong Kong's printing industry got its start around 1950 and has enjoyed relatively steady growth for at least the past two decades. In 1996, Hong Kong's exports of printed matter totaled US\$0.90 Billion, an increase of 1% over the preceding year. Of that amount, domestic exports accounted for 69%. Re-exports from the mainland accounted for 24%. The US was the largest export market in 1995, taking a 31% share. Mainland China was next with 16%, followed by the UK (10%), Taiwan (5%) and Australia (5%).

Hong Kong printers has began relocating their production facilities to Guangdong province in mainland China. This is to take advantage of much lower labor costs. This is particularly good for printers in the novelty books and packaging field, which involve much more complicated processes than regular printing. According to Mr. Lee Yok Chai, Graphic Arts Association's Executive Committee member, industry response to the "Hong Kong Printers Association's" 4th forum luncheon at the Shangri-la Hotel in Shenzhen was overwhelming. There was hardly an empty seat as attendees listened to authorities from the Provincial News and Publishing Bureau, The Department of Print, Customs Department on their analyses of the Tripartite Printing Enterprise.

There are about 1000 factories in the Tripartite Printing Enterprise, mostly located in the Pearl River Delta. They are equipped with advanced facilities, with superb technology and management, and produces high quality printing. Although investment in the Tripartite Printing Enterprise ranks tenth, the profits tax income ranks fourth.

Foreign investments are substantial and cover a wide scope of projects. There are high speed, multi-colour printing: plus the quality of printing is the best in the country. There are a wide range of printing techniques: offset printing, letter press, gravure, flexographic, screen printing, hot stamping, heat transfer printing, and digital printing. Prepress and finishing are synchronized; publications, packaging, special materials can all be completed speedily in high quality. The Guangdong publishing scenario is fundamentally changed and stimulated the entire economy of the region.

Therefore, according to these authorities, the much-concerned clean-up strategy will not affect the Tripartite Printing Enterprises, which have been law-abiding. Tripartite companies which registered before May 1, 1997 and received licenses will be recognized, just as companies which were formed after the Hand-over. Companies formed in February 1, 1999 will not be recognized.

There is no further direction for the suppression of the printing industry. Enterprises that operate legally may receive more investments. With regard to the debated paper standards, this will be further studied and reported to Customs Department.

The Tripartite Printing Enterprises were named "good cats" (achieved good results) after being put in practice. If the enterprises stay out of politics, sex, religion, fake labels and packaging, they should feel ready to increase their investments and take advantage of the recovering economy's opportunities.

The Pearl River Delta's \$40 billion productivity, together with Hong Kong's \$40 billion productivity, will create a Printing Port of the East. Printing is a capital and technology intensive industry, requiring a good investment climate and industrial infrastructure. The geography of the Delta, with good communications, makes it a good location for the Printing Port. China is on the verge of joining the WTO. Internationally there are only restrictions on publishing and not on printing. As the world becomes one, the printing industry will open up much faster than publishing. As the speaker from Beijing hinted, with the development of other industries in China, printing will also expand rapidly.

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