

**POSITION PAPER ON THE ROLE OF THE TRADE
DEVELOPMENT COUNCIL IN ORGANIZING TRADE FAIRS**

Submitted by: Global Sources
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The role of the Trade Development Council (TDC) is to support and assist Hong Kong companies in the manufacturing and service sectors, in a way that helps them get more business and hence results in higher employment and greater prosperity for Hong Kong people. We view this as extremely important and necessary. Hong Kong manufacturing and service companies need all the help we can get in sustaining and growing our businesses in the highly competitive international marketplace.

But unfortunately, the implementation of this important role has veered off course over the years, to the point where the TDC is competing in a substantial way with the very service companies it is meant to be supporting; and is spending its time, effort and money in promoting not only Hong Kong companies, but also their competitors in China, Taiwan and other countries.

The exhibition business is forced to compete with the TDC. Seven of the 10 largest trade shows in Hong Kong are organized by the TDC and they own the only exhibition centre in Hong Kong. In 2002/2003, the TDC trade show business generated revenue of HK\$707 million, making it the largest local player by far. And that is not surprising -- TDC controls all the key timeslots in the peak show and sourcing months of April and October. They are a major competitor to the private sector when it comes not only to exhibition organization and management, but also in stand construction. And to add insult to injury, the TDC receives 8.6% (or HK\$53 million) of the rent from CEC, in effect meaning that private trade show organizers are subsidizing the TDC shows as well as having to compete with them!

Despite vigorously expressed concerns and pleas from the private sector over the years, TDC continues to launch new trade shows. We greatly sympathise with Kenfair and the predicament in which they find themselves with the TDC July event. The new TDC show is clearly

competitive with Kenfair's August show in Las Vegas and October show in Hong Kong.

Where will this all end? With TDC running all the leading shows in Hong Kong, and the rest of us forced to take our exhibition business to China and elsewhere? Ironically, as a proud resident of Hong Kong for 35 years and someone who has devoted his entire working life to the SAR, that is exactly what I have been forced to do. You will find our Global Sources shows based in Shanghai.

We have also been forced to compete head-on with the TDC's trade magazines for over 20 years, and more recently with their online marketplaces. Due to TDC's government subvention, they can charge substantially lower advertising rates than private companies such as ours. They can promote circulation through their 42 offices around the world — needless to say, we have not been offered the same privilege. Their position is so dominant that other trade publishers are effectively prohibited from joining the industry.

I am not aware of any other trade promotion body anywhere in the world that has such a huge and aggressive publishing operation, nor one that generated some HK\$213 million in revenue in 2002/2003. It is sad and inexcusable that in this bastion of free enterprise, we have been forced to move much of our publishing and support operations to lower-cost places like the Philippines and China, in order that we can better compete with the very body which should be helping us and which our tax dollars are funding.

TDC is also misusing its mandate and funding to promote manufacturers and countries that are competitive with Hong Kong. To place an advertisement in a TDC magazine, a company from China or Taiwan or wherever need only register a shell company in the SAR and list this address in the ad. TDC's advertising sales staff advises companies of this quite openly every day. For advertising on TDC's websites and exhibitors at their trade shows, they don't even trouble themselves with this legalese. Anyone is welcome. All subvented by the Hong Kong tax payer.

I welcome the TDC or others to explain to me how the promotion and in effect subsidization of manufacturers which are competitive with Hong Kong firms is helping Hong Kong and improving the employment

opportunities for Hong Kong people. Was this the intent behind the original idea of establishing the TDC? I don't think so.

Given that the original mission of the TDC and provisions for its funding were no doubt well intended, how should the current situation be unravelled so that the private sector can compete freely and fairly on a level playing field, and TDC can concentrate their efforts on helping us rather than competing with us?

There are many ways in which this could be done. If the TDC were mandated to stop their publishing, internet and trade fair activities tomorrow, the private sector could fill the void immediately. Most of the show organizers and others here today would be racing down to CEC to sign up for the best time slots. As is appropriate, Hong Kong would end up with several strong trade fairs organized by private companies competing with each other on a level playing field. And I think I can speak for my friendly competitors, that we would unanimously appreciate and value the TDC promoting our events and magazines through their 42 offices and other channels.

Another possibility at this time of stretched Government finances is to privatize or sell off the TDC assets. Given their dominant market position, they would fetch quite a tidy amount. At the very least, I would recommend that this panel should reconsider the ongoing need for the TDC's HK\$374 million subvention for 2002/2003, and the Executive Director's remuneration and benefits valued at a staggering HK\$6.724 million.

The exhibition business is important to Hong Kong and it will grow and prosper much faster without the meddling of the TDC. Hong Kong does not require or need the TDC to participate in the exhibition business or for that matter in the publishing business.

The TDC is out of control. Its mission is no longer focused on the serious issues of Hong Kong's economic needs. It is focused on profit at the expense of Hong Kong's private enterprises and the Hong Kong tax payer.

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