



30 October 2008

The Hon Jasper TSANG Yok-sing, GBS, JP
Chairman, Legislative Council
Hong Kong Special Administrative Region

Dear Mr Tsang,

The Hong Kong General Chamber of Textiles has earlier made a presentation with recommendations to the Guangdong authorities to relieve some of the operating pressures on our manufacturers and we attach it for your information and consideration.

There is widespread misperception that manufacturing is no longer important to the economy. However, a study by the Trade Development Council in 2006 calculated that the manufacturing and trading sector contributes directly to about a quarter of Hong Kong's GDP and total employment. The fact is while our companies had moved the bulk of their manufacturing facilities across the border, in particular to the Pearl River Delta, they continue to maintain a significant presence in Hong Kong in the form of trading companies and corporate headquarters, and generate tremendous demand for business and producer services, such as logistics and finance.

Unfortunately, the operating environment for Hong Kong manufacturers has been unprecedentedly difficult in the past year due to hiking costs of energy and raw materials, a rising RMB, and unfavourable policies on the Mainland concerning labour and outward processing. As a result in August the textiles industry – which together with chemicals and chemical products, wearing apparel, and machinery and equipment accounted for 75% of Hong Kong's total domestic export and is also a major supplier to the local clothing industry – recorded a fall in the value of its domestic exports by 35.7% as compared with the same quarter in 2007. Our sister sector, the wearing apparel industry, also fell by 26.7%. Similar contractions were also recorded in Guangdong. Coupled with the onslaught of global economic downturn, factories are finding it hard to continue and failures are spreading.

We urge the Government to do more to help manufacturers and the textile industry operating on the Mainland. We shall be pleased to explain our thoughts in more detail.

Yours faithfully,

Henry TAN 陳亨利
Chairman

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