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2013
GUIDE TO
RESIDENTIAL RENTALS

July 2013



David Shambaugh
Professor of Political Science and
International Affairs and Director
of the China Policy Program
George Washington
University

DAVID SHAMBAUGH: “China Spreading, Not Rising”

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Heading West: AmCham Business Leadership Delegation To Chengdu & Chongqing

DATE: August 25 -27, 2013 (Sunday – Tuesday)
WHERE: Chengdu & Chongqing
HOST: Sichuan Provincial Government & Chongqing Municipal Government

Ever since the launching in 1999 of the national strategy of “Development of the Western Regions,” China’s vast western regions have enjoyed rapid development, especially in recent years. Now, more and more foreign companies are heading west, not only to take advantage of lower operation costs but also to tap into the huge market and R&D potential. Late last year, in AmCham Hong Kong’s annual survey among its members, Chengdu and Chongqing were listed as the top priorities for business delegation trips. In response, AmCham Chairman James Sun and President Richard Vuylsteke will lead a senior business leadership delegation to explore the business opportunities in these two southwestern metropolises. The delegation will –

- Meet with top provincial government officials, foreign investment administration officials, US Commercial Officers and Hong Kong Economic and Trade Office officials
- Network with top local and international business leaders, and
- Make site visits to local national-level development zones and/or benchmark companies

Chengdu- Capital city of Sichuan Province, known as “the land of abundance,” is one of the most livable cities in China. With a population of 14 million, Chengdu is one of the most important economic, transportation and communication centers in Western China. It was listed in the Ten Best Chinese Cities for Investment in 2007, and in 2010 *Forbes* ranked it as the world’s fastest growing city in a decade.



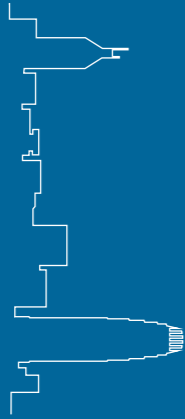
Chongqing- Located at the core of the economic belt of the upper Yangtze River. With a population of 28 million, it is the fourth directly-administered municipality in China. Chongqing plays a powerful role in both the political and economic landscapes. In the regional planning for the Chengdu-Chongqing Economic Zone, Chongqing is slated to become an international metropolis by 2020. It was named as one of the 13 emerging mega cities in China by the Economist Intelligence Unit in 2012.

NOTICE:

- Registration deadline is **Friday, Aug 9, 2013**. Places are limited to **20**, and to be confirmed on a first-come-first-served basis.

Contact us for further information of tentative itinerary and fees:

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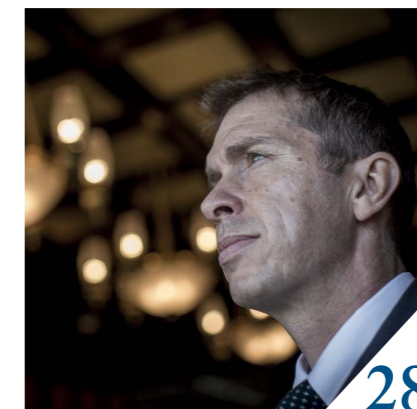
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biz.hk Editorial

BEING YOUNG

Remember being 18? Fooling around? Studying hard? Chasing girls (or boys)? All of these? Everyone takes a different route on the way to high school graduation, but inevitably it seems there are standouts in each graduating class. AmCham recently bumped into one such standout graduate and his story is worth telling.

For Bruce Li, a 2013 graduate of Hong Kong International School, being young also means to live with eyes and mind wide open. Armed with his camera, Bruce ventured into the "dark side" of Hong Kong - where people live in cage homes, sub-divided flats, and rooftop housing. In the process, he took hundreds of photographs of the "houses" and the people he met. A selection of these photos is now collected in a self-financed book called Grit. (More about Bruce Li and his book on page 36)

Hong Kong is fortunate to have young people like Bruce, who are

willing to leave their comfort zones far behind and undertake something risky. While Hong Kong's housing problems for low-income people are often highlighted in the headlines, Bruce dug deeper in order to understand things better for himself. While his book may not have immediate impact on changing anything, and he may be soon forgotten by the people he met in those dwellings, he has demonstrated that the power of independent thinking, the ability to ask tough questions, and the courage to challenge the status quo can be a youthful quality. It's a good reminder to adults.

It's also a seed of hope. Too often it seems that people are encouraged not to be adventurous - "it's unwise, it's too risky, it's not your problem." Don't challenge the status quo. Let others assess and solve community issues. Avoid taking personal responsibility. These are comfort zone attitudes. But if the 21st Century is the Asia-Pacific century, then Hong



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Nominate a Woman of Influence

The American Chamber of Commerce in Hong Kong and the South China Morning Post proudly present the **10th Anniversary of the Women of Influence Awards**. Once again we are seeking exceptional female executives who continue to make an outstanding contribution at the highest levels of Hong Kong's business world. In addition, we are excited to announce a new award category for 2013, "**Leading Woman on Boards**". This new award will be presented to a woman who is currently sitting on the board of a company listed in Hong Kong or on an international exchange. The awards will be presented at the Women of Influence Conference and Awards 2013 on November 8, 2013.

This is your chance to nominate outstanding candidates for the following awards:

1. Professional of the Year
2. Entrepreneur of the Year
3. Master in Charity
4. Leading Woman on Boards (NEW)
5. Champion for the Advancement of Women
6. Best Company for Women

It only takes 10 minutes online:

www.amcham.org.hk/woi

Deadline: Wednesday, September 18, 2013



Sponsorship opportunities available

Please contact Ms Mary Simpson, msimpson@amcham.org.hk, 2530 6922

New Business Contacts

The following people are new AmCham members:

Aedas Limited

Frank McGoldrick
Member of the Board

AEM Technology Hong Kong Limited

Goby Kong
Sales Manager
Jenny Ling
Business Director
Edward Chan
Service Manager
Thomas Lam
General Manager

AllianceBernstein Hong Kong Ltd

Hayden Briscoe
Director, Asia Pacific Fixed Income

American Express

Tara Tubman
Director, Large Market Acquisition Hong Kong & Taiwan, Global Corporate Payments

Arkadin Global Collaboration Services

Olivier de Puymorin
Chairman & CEO

Asian Tigers Mobility

Florence Wong
Manager, Marketing & Corporate Affairs,
Hong Kong

Compass Offices

James Julian
Business Development Manager, Hong Kong

Emerson Electric Asia-Pacific

Edwin Boone
Vice President
Katie Chui
Vice President

Esquel Enterprises Ltd

Aaron Lee
Director, General Management Office

Gibson, Dunn & Crutcher

Yi Zhang
Partner

Hill & Knowlton Asia Ltd

Rachel Chan
Managing Director Hong Kong

ICF GHK

Andrew Amerasekera
Senior Consultant
Gabiella Bazzano
Managing Director
Wai-duen Lee
Lead Managing Consultant

Limestone NP Limited

Brian McLaughlin
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Eva Liu
Business Development Head,
Mercer Marsh Benefits
Travis Barton
Principal and Hong Kong Business Leader,
Talent Consulting

Mira Moon

Jaly Lai
Director of Sales and Marketing

Philip Morris Asia Limited

Alfonso Javier
General Manager, Hong Kong & Macau

SHL Hong Kong Limited

Chris Frost
Managing Director

Soshio

Matthew Grotenstein
Head of Business Development

Telstra International Group

Tim Chen
President and Group Managing Director
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China Spreading, Not Rising

Predicting China's future has come full circle. Analyses that range from foretelling China's imminent collapse to its unstoppable global dominance are abundant in bookstores and on the web these days. In his thoroughly researched new book, *China Goes Global: The Partial Power*, Professor David Shambaugh sheds refreshing new light on the debate. Daniel Kwan spoke to him during his recent visit to Hong Kong



David Shambaugh

Professor David Shambaugh of George Washington University, in Washington DC, is a well-known authority on China. A respected China watcher and scholar, Shambaugh has reputation for being candid about controversial subjects, so it's not surprising that his new book, *China Goes Global: The Partial Power* doesn't shy away from popular "wisdom." Shambaugh argues that China has a long way to go before it becomes a global power on par with the United States. China may be spreading its influence around the world, including going to the Poles and even into space, but it is not yet a global power.

"I find that in different categories of China's international activities, they are not at the level of the United States, which is the only global power in the world today – and in some categories, they are not even at the level of medium powers," Shambaugh says.

"For example, in terms of 'soft power', Britain has more soft power than China; and Brazil might have more soft power than China, and maybe France, Japan, and even India. China is a partial power because it is not a comprehensive power. Depending on the categories that you look at – I looked at five different categories in the book – China has made a lot of progress and is on the way to becoming a global power but it hasn't become one yet. That's the argument of my book."

A different conclusion

Take the military as an example. Shambaugh says that although the Chinese military is much stronger today compared with 30 years ago when it first embarked on its opening policy, the People's Liberation Army (PLA) still lacks the capability to operate beyond the country's borders.

"[The PLA] doesn't have the capacity to project power more than 300 nautical miles from China's borders. Its navy cannot sail around the

world. In military terms, it does have ballistic missiles, cyber capacity, and space programs, but its air, ground, and naval forces do not have global power projection capabilities," Shambaugh says.

Shambaugh began research on the book about six years ago and admits that he was surprised by his own findings, as he had expected a different conclusion. However, the evidence shows that even in the area of economics – inarguably China's strong suit, the country does not measure up.

"China is a global trading power, but 94 percent of China's exports are merchandise exports and they are not what you would call 'knowledge-intensive products'," he says. "China is not at the cutting edge of innovation in virtually any area of technology, medical science, natural science, social science, or humanities."

"I would argue that they do not have a very clear idea of what they really want in the world – what kind of power they want to be or should be in world affairs."

Wealth and power

What accounts for China's lack of influence? Shambaugh suggests that China may have a blind spot concerning wealth and power. "China has always known one thing that it wants – and that's wealth, or fu. The Chinese always talk about fu qiang and assume that fu will produce qiang – wealth will produce power."

"It's not so simple. Wealth does not necessarily convert into power. While Chinese want to modernize, develop, and become wealthy, I would argue that they do not have a very clear idea of what they really want in the world – what kind of power they want to be or should be in world affairs," he says.

One of the reasons behind China's low-key strategy, Shambaugh says, can be traced back to late leader Deng Xiaoping's famous southern tour speech in 1989 when he said that China should keep a low-profile in international affairs.

"Twenty-five years after he (Deng Xiaoping) made the statement in 1989 – some people are challenging it in China and their discourse says, 'We have to get rid of that. It was a fine strategy for then, but now we are a big and strong power and we have to act like one.' There is a significant group of people in China who are ready to go out and flex some muscle," he says.

According to Shambaugh, domestic constraints and foreign responses will determine how China conducts itself on the world's stage. "China is already getting pushback from countries that don't trust it – China has encountered a lot of problems with their neighbors in Asia.

Also, no country can be a powerful global actor unless it has genuine domestic strength. "China is trying to be a multi-dimensional power, but it has so many problems domestically – political, social, economic, environmental, legal – all of these weaknesses or soft spots affect China's ability to project itself on the global stage," he says.

Responsible stakeholder

In the last chapter of his book, Shambaugh concludes that China is not yet a "responsible stakeholder" – a phrase used by former US Deputy Secretary of State Robert Zoellick in 2015 in urging China to play bigger roles in international affairs.

"China has not yet demonstrated that it's a 'responsible stakeholder' in the way that Zoellick defined it; China has basically been what we call a 'status quo' power," Shambaugh says.

"China has upheld the existing system, but it hasn't contributed to the global system and to global governance commensurate with its wealth and power as the number two economy in the world. It's contributing like a



David Shambaugh speaks at AmCham

number 10 or 15 country in the world. It punches way below its weight. So, can we expect China to become a greater contributor over time? I am not sure that we can, because China is a very narrowly self-interested country," he adds.

But now that China is "at the table," Shambaugh argues that western countries should continue to engage it and focus on key areas such as civil society, media, rule of law, government transparency, human rights, and global governance.

The Trans-Pacific Partnership (TPP) initiative is a good example of such engagement. Shambaugh compares the TPP with China's entry into the World Trade Organization 12 years ago. "The analogy is similar to when Zhu Rongji was the premier and he negotiated the final entry into the WTO. He saw that the WTO's high standards were having a positive forcing effect on domestic actors who would

not otherwise be changed," he says.

"TPP can help the Chinese financial services industry, banking industry, and a whole number of state-owned enterprise sectors and other things that need changing, but that seem impossible to do on their own domestically," Shambaugh says. "While enlightened Chinese economic reformers view TPP as a useful device, the majority views it suspiciously as some kind of an economic version of a 'containment' policy."

"It's not a question of the world joining China; it's a question of China joining the world. TPP is a commendable initiative in that the member states that are negotiating it are seeking to establish a very high bar of standards for their financial and trade interaction. The question is whether China can meet those conditions, and whether it can see this as a positive opportunity rather than some kind of negative threat."

China response

When asked how his book has been received, especially by the Chinese, Shambaugh says, "I have had good reactions from the Chinese government. I spoke to people at the Foreign Ministry in Beijing just a few days ago and they were quite positive. They basically used the term 'balanced', which in Chinese terms is a complement. If a foreigner writes a balanced book, it means that it 'you dao li' (has sound arguments)," he says.

"The best indication of how it's received in China is the fact that we had 10 Chinese publishers bid for the translation rights, Shambaugh adds. "We recently chose one of them and they are going to publish 30,000 copies. So, obviously somebody up there in the Propaganda Department has decided that it's a good book and it can go ahead – and with no censorship." 🇨🇳

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Address: 38 Tai Tam Road, Island South
Layout: 3-4 bedroom sized from 1,906 to 2,054 s.f. (G) / 1,534 to 1,674 s.f. (S)
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KNOCKING ON DOORS IN WASHINGTON DC

AmCham HK conducted its annual "Washington Doorknock" 3-7 June with 14 delegates participating in 43 meetings with key players in the Administration, Congress, think tanks, and other organizations.

AmCham President Richard Vuylsteke reports



Each year up to a dozen or more AmCham members take one to three days out of their summer schedule to join the Chamber's annual Doorknock to Washington DC. The delegates also pay for their own airfare, lodging, food, and other incidentals. Why do they take on the time and expense? A few reasons:

First, Doorknock delegates are active in the Chamber's leadership and, through their participation in VIP briefings, advocacy activities, and other AmCham events, they have honed talking points and presentation styles that fit well with Doorknock goals. They are committed to helping improve the region's business and trade environment, and realize that US opinion leaders can benefit from hearing what executives "on the ground" in Asia have to say about US-Asia relations, and especially China issues.

Second, Doorknock delegates take Hong Kong seriously and want to keep it on the map in Washington – as an Asia economic power, as Asia's premier free-trader, as a source of insight on China/Asia business trends, and as a premier leader in the region's financial, legal, brand management, communications & marketing, and consulting businesses.

Third, it is difficult to describe the excitement one feels when entering the halls of government and having the



Kin Moy (right), State Department

opportunity to meet with people usually accessible only on TV. Doorknocks offer genuine power networking as well as concrete insights into how the US government operates.

Fourth, it is an opportunity to make a difference – to keep Hong Kong-specific items on Washington's agenda in hopes of eventual positive actions.

Here are a few examples from this year's advocacy agenda –

Treasury: Fighting the Good Fight

Former AmCham Vice Chairman Richard Weisman, Principal, Baker & McKenzie, again led the tax team's meetings with senior officials at the Treasury Department.

The main topics were (1) continued concerns about FATCA [Foreign Account Tax Compliance Act], specifically the implementation timeline, complex and unclear reporting requirements, associated compliance costs, and (especially relevant to Hong Kong) the need to exempt retirement funds like the Mandatory Provident Fund (MPF); (2) continued advocacy for a double-taxation agreement (DTA) between the US and Hong Kong; and (3) the loss of US competitiveness abroad because of double taxation of US expatriates (Section 911).

The results, Weisman says, were sobering. While officials at Treasury well understand FATCA's impact on financial institutions worldwide, AmCham meetings on the Hill revealed that Congress, despite



Francisco Sanchez (third from right), Commerce



Rep. Rick Larsen (third from left), Congress

passing the legislation, has little understanding of its sweeping impact, draconian reporting requirements and penalties, and costs of implementation. The attempt to track money laundering and terrorist finances has had unintended – and little understood – consequences.

Moreover, the prospects for a US-Hong Kong DTA still remain slim, primarily a result of insufficient staffing and low priority at Treasury. The perennial advocacy on Section 911

received sympathetic reception, but little encouragement given the difficulties ahead in revising the US tax code.

At least the messages are being kept alive, but these advocacy issues are definitely long term.

State: Expanded Agenda

State Department officials always extend a warm welcome to AmCham

The 2013 Doorknock Delegation

James Sun
Managing Director, Charles Schwab HK

Peter Levesque
Chief Commercial Officer, Modern Terminals Limited

Richard Weisman
Principal, Baker & McKenzie

Tom Burns
Director, World Ahead Team, Intel Semiconductor (US)

Sara Yang Bosco
President, Asia Pacific, Emerson Electric

Walter Dias
Managing Director, Greater China & Korea, United Airlines

Jack Lange
Partner, Paul, Weiss, Rifkind, Wharton & Garrison

Lili Zheng
Managing Director, Deloitte APICE, Deloitte Touche Tohmatsu

Andre Leroy
Manager, Global Supplier Compliance, Avery Dennison

Richard Vuylsteke
AmCham President

Ming-lai Cheung
AmCham Government Relations & Public Affairs Director

Daniel Kwan
AmCham Editor-in-Chief

William Vuylsteke
Administrative Interns

Jacob Weisman
Administrative Interns



DOORKNOCK AT A GLANCE

Who?

Delegations are comprised of senior executives that are in AmCham leadership positions and have also served in briefing roles at Chamber roundtables. Interested in participating?

What?

Washington Doorknocks update top US leaders and decision-makers on issues in Asia, particularly US-China-Hong Kong topics, as viewed by executives based in Hong Kong. The participants give business perspectives on selected economic, political, and social topics, drawing upon their experience in "Asia's World City" and from their frequent travel throughout the region.

Where?

Delegation appointments are within the Washington Beltway and focus on high-quality meetings with important players who make or influence US-China and US-Asia policy.

When?

The annual Washington Doorknock is normally held in the first or second week of June, but other dates are also possible. (The Chamber also conducts Doorknocks to Beijing, Bangladesh, and Myanmar; Vietnam and Cambodia are possible new destinations.)

Why?

Despite its small size, Hong Kong punches above its weight. Appointment requests are nearly always granted because AmCham Hong Kong is seen as an insightful "honest broker" on business and economic assessments of China and the region. Moreover, Hong Kong is a major – and growing – US trading partner and a major conduit for investment into and out of China (and, increasingly, to elsewhere in the region.) There is always much to discuss and many insights to share.

HK delegations. This year the delegation met with four different offices. The first discussion was with Kin Moy, Deputy Assistant Secretary for East Asian and Pacific Affairs, and his team.

The hot topic of the week was the then imminent meeting between President Barack Obama and President Xi Jinping at Sunnylands (replaced, just as the delegation trip ended, by the Snowden case).

Discussions centered on China's leadership transition and its potential impact on structural and party reform; China's cyber theft from US businesses; mounting concern about the tensions between China and its neighbors because of maritime disputes; and the impact of China's 'go

global' overseas investment. None of these problems was going to be solved at Sunnylands, but hopes were high that the unprecedented meetings over two days would set a positive tone for future interaction between the two countries. **(see next story: Sunnylands Meeting – What Was Achieved? on page 20)**

The delegation pointed out that roughly 60 percent of China's outward investment goes through Hong Kong because of the city's high-quality financial and related services. As a result of China's reorientation away from low-end manufacturing, investors from many countries are relocating some of their factory operations to South and Southeast Asia. The



Nick Lardy, Peterson Institute for International Economics

Chamber has been tracking these trends and has for more than two years been hosting events to keep members abreast of the changes.



Ernest Bower, CSIS

For this reason, the delegation also met with Special Representative and Policy Coordinator for Burma Patrick Murphy and his team. Discussions focused on the status of sanctions on Myanmar and the difficulties of doing effective due diligence in the country. The general tone was optimism for the mid-term future, despite significant remaining social, political, and military problems.

Capacity building across the board remains a top priority in both the public and private sectors. The delegation reported that AmCham HK had made a delegation trip to Myanmar in February and was working with two sister AmChams in the region to help set up a chamber in Yangon.

Two other productive discussions were held at State with APEC Ambassador Atul Keshap, on investment trends in the region, and with Heather Variava, the Bangladesh Office Director, on how businesses might help the country recover from the serious damage done to the "Made in Bangladesh" brand from recent disasters.

Commerce: Building on Strong Links

The delegation was heartily greeted again at Commerce this year by good friend and frequent interlocutor Under Secretary Francisco



Donald Tong (third from right, front), HKETO

MEETING TARGETS

Each year AmCham HK has a useful coordination meeting with the HK Economic & Trade Office in Washington. A selection of other important Doorknock meetings this year follows –

Administration

- State
- Treasury
- Commerce
- Homeland Security
- Agriculture
- Defense
- Federal Maritime Commission
- Consumer Product Safety Commission

Congress

- US-China Working Group
- Senate Foreign Relations Committee
- Senate Finance Committee
- Congressional Research Service

Think Tanks/Asia Scholars

- The Asia Group (Kurt Campbell)
- The Brookings Institution (Richard Bush and Mireya Solis with Doug Paal, Carnegie Institution, and Mike Lampton, Johns Hopkins University)
- Center for Strategic & International Studies (Chris Johnson, Ernest Bower, Bonnie Glaser)
- Peterson Institute for International Economics (Nick Lardy, Nicholas Borst, Jeffrey Schott with Ted Moran, Georgetown University)
- George Washington University (David Shambaugh)



Kurt Campbell (third from right), The Asia group

IMPRESSIVE ACCESS

2 Under Secretaries

(Commerce: Francisco Sanchez, Agriculture: Darci Vetter)

2 Assistant Secretaries

(State: Kin Moy, Homeland Security: Doug Smith)

2 Chairmen

(FMC: Mario Cordero, CPSC: Inez Tenenbaum)

3 Congressional Office Visits

(Rep. Rick Larsen, Sen. Bob Corker, Sen. Orrin Hatch)

2 Consulates General

(Clifford Hart, Joe Donovan)

3 Commissioners

(Consumer Product Safety Commission, Federal Maritime Commission, HKETO)

3 Think Tank Presidents

(Heritage, The Asia Group, Center for a New American Security)

Sanchez and senior members of his team. The top agenda item was the status of the Trans-Pacific Partnership (TPP) negotiations, including the impact of Japan, which had just announced at the time of the Doorknock visit its intent to join. Concern was expressed about Vietnam's progress in the deliberations, but overall optimism that the TPP represented a "21st Century" trade agreement that drilled deeper into "behind the border" issues that obstruct free trade.

The group also discussed Select USA and the Chamber's work with Hong Kong-based Commercial Officers to help promote Chinese investment into the US.

Almost daily, Chamber staff and volunteer leaders work closely with the US Foreign Commercial Service at the US Consulate in Hong Kong. Less known, perhaps, is that the Chamber also has strong operational links with Commercial Officers throughout China and elsewhere in the region.

Homeland Security: The Elusive APEC Business Travel Card

Promises, promises...but success not in sight. That sums up the status of the long-sought-after APEC Business Travel Card, a process that began when then Secretary of State Condoleezza Rice promised to push for its approval as a way to facilitate US business travel in the region.

AmCham HK, along with its 27 sister chambers in the Asia Pacific Council of American Chambers (APCAC), have been pushing for APEC card approval ever since. Repeatedly, senior officials at the Department of Homeland Security (DHS) assure chambers that "implementing issues" will be solved in a few months or sooner. (In mid-July, during a meeting with AmCham Korea, DHS Secretary Janet Napolitano announced that the APEC card should be approved "by the end of the

year." A week later she announced her resignation from the Department, reducing hopes of follow-up action.)

Delegates raised this issue during many of its meetings on and off the Hill. The message was repeated the following week by APCAC chambers during their Doorknock. Three teams met with more than 40 Congressional offices, pointing out that Congress had passed authorization and President Obama signed it more than a year ago – and still nothing. Many Members of Congress expressed dismay and promised to follow up with DHS. Don't hold your breath. Somewhere for some reason, someone is not signing off on the card.

Talking to the Right People

Great care is taken to ensure that Doorknock delegations spend their time wisely. While fitting more than 40 meetings into a week is definitely "Hong Kong-style scheduling," more important is seeing the right people. AmCham HK had impressive access to senior officials (see box on page 18), but no less important is to meet others who are at the heart of US policymaking.

The delegation was able to speak with many "linked in" Washington policy players. These included China/Asia specialists at the Asia Group, the Brookings Institution, the Center for Strategic and International Studies, the Heritage Foundation, and the Peterson Institute of International Economics. Each meeting was characterized by candid roundtable discussions on social, political, economic, and military topics. The discussions served to contextualize business operations in the region and to highlight certain areas needed in any risk assessments.

Other discussions, such as a meeting with staff at Senator Mazie Hirono of Hawaii, focused on specific Hong Kong topics. In this case, with the assistance of the Hong Kong Economic & Trade Office in Washington, the Chamber urged approval of a bill, submitted by the Senator



Richard Lidinsky and Mario Cordero (fourth and fifth from left), FMC




Nancy Nord (third from left), CPSC

Hirono, to facilitate a legal change that would allow visa-free entry to the US by Hong Kong residents.

Call to Action

Although Washington Doorknocks are annual events, the Chamber's advocacy activities with the US occur throughout the year. The Chamber has frequent opportunities to brief VIP visitors from Washington. These include visits by Members of

Congress, Congressional staff delegations, US Administration officials, and many others who have stepped down from official duties but are continuing their engagement with Asia through think tanks or the private sector.

Interested in becoming involved in these invitation-only meetings? Please contact the AmCham HK Chairman or President for further information – and also consider participation in the June 2014 Washington Doorknock. 

Sunnylands Meeting – What Was Achieved?



Photo: Getty Images

Since 2009, meetings with major think tanks have been an essential part of AmCham's annual Doorknock visits to Washington in order to deepen the delegations' understanding of US policies and trends. Each year, Dr Richard C. Bush, Director of the Center for Northeast Asian Policy Studies at the Brookings Institution, hosts the delegation to a roundtable discussion with other senior China Hands who generously share their insights on issues from geopolitics to business practices.

This year's Doorknock coincided with the much anticipated Sunnylands meeting between US President Barack Obama and Chinese President Xi Jinping. At the end of the Doorknock visit, Daniel Kwan sat down with Dr Bush for an overview assessment of the results and implications of the first "no neckties" meeting between the two presidents

In the first week of June, all eyes were on Sunnylands, California as the leaders of China and the US engaged in dialogue far away from the hectic environment of Washington DC. Although the presidents of both countries meet regularly every year (often on the sidelines of international meetings), the structure and length of the Sunnylands meeting was extraordinary. The meeting was widely seen as an effort to improve ties between the two countries through fostering personal bonds between the two leaders. Observing that mutual distrust has risen and become a central concern in Sino-US relations in recent years, Richard Bush of the Brookings Institution says that the Sunnylands meeting can be seen as an important step towards a better bilateral relationship.

"It's only the top leader of each system that has the broadest possible view of each country's interests – of both the opportunities and the threats – so perhaps it's only through establishing personal trust between the leaders and mutual confidence in each other that they can direct the systems below them to not be so afraid or aggressive," Bush says. With mutual understanding on a personal level, the leaders can build a sturdier foundation to address difficult issues in "a more creative and constructive way."

Simply, what does it mean?

With the Sunnylands meeting, a new approach to US-China diplomacy has emerged, with the new leadership in Beijing apparently showing more willingness to give leeway to its top leaders' public engagements. Although the US had made similar efforts in the past, Bush explains, they did not bear fruit.

"Bill Clinton was a natural in this kind of encounter, and he and [Chinese President] Jiang Zemin were starting to approach it. But generally there is a lot of pressure to stick with the established pattern," Bush says.

Viewing past practices, Bush explains, China's presidents usually are not actors who have the kind of authority the US president has, as they are answerable to a collective leadership that has until recently shown reluctance to allow their top leaders to "freelance." There is a perceived risk in this kind of encounter, and the fact that the two governments, particularly the Chinese leadership, committed to such high-level talks was significant and symbolic.

But Bush cautions against being overly optimistic about the meeting, warning that the countries may slip back into the established way of interaction. Moreover, Sunnylands is but one step in many that may lead to a new pattern of interaction. Sunnylands was not designed to solve the major problems between the US and China. For those, there are established mechanisms such as the Strategic and Economic Dialogue (the latest round of S&ED meetings were held in early July in Washington DC) for addressing specific problems like trade and investment and cyber security. The Sunnylands meeting did not signal any changes to existing mechanisms.

"I think they (established mechanisms of dialogue) have been pretty successful, so if you decide to do something else, then there's going to be a lag time to get it up and running and institutionalize it," Bush says. While Chinese leaders have called for a "new type of great-power relationship" recently, Bush says the Sunnylands meeting did not appear to have added much substance to the concept.

"[Chinese State Councilor] Yang Jiechi spoke in his briefing about this topic and he provided a lot of points that seems to be a repetition of things that Beijing has been saying for a long time – a lot of focus on process of interaction, but not getting into the substance.

"I did not expect the leaders to agree on a new pattern of 'great-power relationship'," Bush says. "The most that one could have expected was they agreed to create mechanisms to pursue this idea and to give it some

richer content so that it could then feed into the bilateral relationship. Whether there is an agreement on such mechanism, I don't know; it's too early. But that would seem to be the next step in this regard."

Business community – the biggest supporter

While the Sunnylands meeting seems to have set a generally positive tone of future relations, Bush suggests that both sides need to manage the relationship carefully. In particular, he says the Chinese side should pay attention to how changes – especially domestic changes – might affect the American business community.

"If you see your technology as your most critical asset and the main basis of your competitive ability, and if that's stolen away from you and automatically improves the competitive capacity of your adversaries, what else are you going to think?"

"Based on my understanding of President Obama's views, one game changer [to Sino-US relations] would occur if both the US government and American companies came to the conclusion that the economic relations between the two countries were no longer yielding mutual benefit for the two sides and that based on the reality in China there was no way of changing that, or if the system there had embarked on a policy course that was simply bad for foreign investors and

foreign traders.”

Using intellectual property of businesses as an example, Bush says the Chinese leadership needs to be aware of the importance of the issue to American businesses. “If you see your technology as your most critical asset and the main basis of your competitive ability, and if that’s stolen away from you and automatically improves the competitive capacity of your adversaries, what else are you going to think?” he asks.

“I hope that President Xi was sensitized to the specificity of the US concern. It’s the IP of companies and the security of critical infrastructure that we’re really worried about,” he says, pointing out that for decades the American business community has been strongest supporter for good Sino-US relations. If China becomes too unfriendly to foreign investors, for example, by demanding top-level technology transfer or favoring state-owned enterprises over private and foreign capital, the two countries could be in serious fallout.

“What everybody should keep in mind is that the US business community is the strongest supporter within the American political system of positive US-China relations because for 35 years they’ve benefited from this relationship. If the business community as a group were to decide that the relationship no longer yields sufficient benefits, then it will make it harder for the Congress and the media to maintain some balance in this relationship,” he says.

“For both political and economic reasons, that’s the one [game changer] that deserves most worry, not only by the United States but also Japan, Hong Kong, Taiwan, Europe,” he adds.

Hong Kong solution

On Hong Kong, Bush says the city needs to constantly sharpen its competitive edge. The city, he points out, has many enviable strengths: rule of law, low level of corruption, excellent business management and

connections in a globalized economy, geographical advantages, as well as leading in a variety of service industries.

“To improve on its competitive advantage, Hong Kong needs to constantly worry about the quality of its business environment, in terms of the education of its populace and the physical environment in which the people live – whether it’s air pollution or water pollution or the price of housing and so on. Hong Kong is a small place ... and it’s right next door to a big polluter but that’s not the only cause of the pollution. All these are challenges that any Hong Kong government has to face,” he says.

Politically, Bush dismisses worries among some Chinese politicians that Hong Kong would become what they called a “subversive base” to China as

“What everybody should keep in mind is that the US business community is the strongest supporter within the American political system of positive US-China relations because for 35 years they’ve benefited from this relationship.”

the city moves forward. He acknowledges that the Chinese leadership has always been suspicious of foreign intervention in Hong Kong, but says that “to an extent this fear of foreign intervention is a manufactured fear; it’s a way of excusing some of China’s own policies.”

He adds that designing a political system that properly reflects popular opinion and interests of major stakeholders in Hong Kong without being threatening to Beijing will be a daunting task, and how it will be established



Dr Richard C. Bush

will not be one for the US or any foreign government to say.

“It has to be a Hong Kong solution to this problem. But I think in the long-run the benefit to China could be very great, because Hong Kong is one of the best-run Chinese cities in the world, maybe the best. And if Hong Kong could move towards not only maintaining economic prosperity but ensuring a high level of political accountability, that’s a good example for China,” he says.

“I don’t have any brilliant ideas about how to encourage China to be less fearful [about foreign influence]. We do have at this point more than 20 years of record on the US and the British roles in Hong Kong. I think it’s impossible objectively to come to a conclusion that anybody is trying to use Hong Kong as a base of subversion.”

“We’re in an era where Chinese are very unhappy with their political system because it doesn’t guarantee prosperity for all and it’s not accountable. Well, if that’s China’s problem, then maybe Hong Kong can be a solution,” he says.

- Additional reporting by Michelle Ko

Serviced Apartment Trends An artistry blend of luxury life

APARTMENT 



The art of luxury hospitality

With the number of global travellers rising, the demand for Serviced Apartment in Hong Kong is skyrocketing. Travellers today are more discerning in taste; simply “anonymous hotel luxury” can no longer cater to their needs, but a personalized vision of home away from home, where they can nest for the duration of their stay. And for the cosmopolitan, a touch of artistic glamour also catches their eyes.

Therefore, Serviced Apartment has a tendency toward emphasizing on providing an artistically experience for its guests. They are often themed around a particular artistic movement, or a specific time period. Evoking, e.g., Shanghai glamour, or the kinetics of pop art, these suites are unique and present an alternative from standard traditional choices.

Apartment O, a serviced residence that features a traditional “Tong Lau” that distinguishes the old Hong Kong and located right in the hub of Causeway Bay, serves

as a very good example. Designed with impressive fusion of architecture, cultures, colors and styles, the 15 serviced suites divided into two themed divisions – Old Shanghai and Old Hong Kong – taking tenants back to the elegant 1930s. Quaint wooden fittings and furniture from the Qing Dynasty, and premium leather sofas are all under the same roof that promises every guest a luxury lifestyle with a quaint blend of grand old-time feeling and modern comfort.

One major attraction is its excellent locality packed with high-end brands, vibrant dining and entertainment venues while the busy Times Square is just one step away. Merely a 5 minutes walk brings you to the Causeway Bay MTR station. The luxury homes are all well equipped with European kitchenette, free WiFi, 42” LCD Plasma TV and home entertainment system with hi-fi. Spend many leisure moments in the roof top garden with BBQ facilities and a common lounge. Wines and cigars at the Cigar Room will please the discerning few. Maximizing luxury to the fullest.

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ASEAN Economic Architecture in Flux

Ernest Bower, Senior Advisor and Chair for Southeast Asia Studies at the Center for Strategic and International Studies (CSIS) in Washington DC, is a well-known authority on ASEAN economy and politics. Bower visited Hong Kong recently and gave a presentation to AmCham members on US policies in Asia-Pacific, the Trans-Pacific Partnership (TPP), and trends and developments in countries such as the Philippines, Vietnam, Thailand and Myanmar. At the end of his talk, biz.hk asked him about the just concluded ASEAN Regional Forum in Brunei, President Barack Obama's trade policies, the Regional Comprehensive Economic Partnership (RCEP) among ASEAN countries, and economic integration of ASEAN in 2015



Ernest Bower

biz.hk: US Secretary of State John Kerry recently attended the ASEAN Regional Forum (ARF) in Brunei. Can you tell us about the meeting and the significance of Kerry's presence?

Bower: What was most important for John Kerry at the ASEAN Regional Forum (ARF) was showing up. It's become a real test for American engagement in Asia that the Secretary of State attends the ARF, so even though Secretary Kerry cancelled his planned visits to Vietnam and Indonesia, it was good that he could come to Brunei. I think he made a very good impression on his ASEAN colleagues. Kerry understands Asia well. He's been a Senator and Chairman of the Senate Foreign Relations Committee, so I think the engagement was good.

In terms of results, not a lot of big ticket items. The fact that the South China Sea and maritime security were on the agenda is important. That was a victory for Brunei, so they didn't have the sort of failure that they had in Cambodia. So that in a way was probably a headline. I think Kerry has indicated to his ASEAN colleagues that he will continue with the strategy that was set up by President Barack Obama and Secretary [Hilary] Clinton of engagement and an ASEAN-centric structure for a new security and economic architecture.

I think the region has some concerns about American trade policy not being consistent with our foreign policy. In other words, our trade policy focuses on the Trans-Pacific Partnership (TPP), which includes only four of the ASEAN countries and is eligible to only seven of the ASEAN countries, and it doesn't include India. Nor is China part of the TPP. I think Kerry would probably have heard a lot about that from his ASEAN colleagues.

In terms of ASEAN's ability and ambition to address the real and important regional issues, it was very significant that maritime security, the South China Sea, North Korea, and even Sino-Japan tensions were discussed at the meetings.

biz.hk: When ASEAN foreign ministers met in Cambodia in 2012, China worked hard to prevent the issuance of a joint communiqué that would include the issue of maritime disputes in the South China Sea. At the recently held ministerial meeting in Brunei, China seemed to have indicated its willingness to talk about a Code of Conduct for South China Sea. Is this a change on China's part?

Bower: The truth is the Chinese had already agreed to the Declaration of the Code of Conduct, which in itself

inherently meant that they were willing to talk about a code of conduct. I think in Cambodia China got a bit of bad press and they also got in their own way on this issue when they decided they didn't want to talk about it and were dragging their feet. I think China has done a good assessment of its own interests here and realized that discussing the code of conduct would help promote its role in the region. The Chinese basically took the knife away from their own neck in this case, and that's smart. Now whether China is serious about concluding a code of conduct in the near term? Everyone I've talked to thinks they're not serious. The view is that China is kicking the can down the road — willing to talk about a code, but in no way have they jumped over into the new paradigm which is a legally binding commitment to a code of conduct in the South China Sea. Am I optimistic that we'll have a code of conduct in the next year or two? No, I'm not.

biz.hk: In other words China is sticking to its old paradigm — that is bilateral discussions and keeping the US out of this?

Bower: Yes, that hasn't changed.

biz.hk: Did Secretary Kerry's participation in ARF achieve its purpose of

convincing ASEAN countries that the US has not abandoned the 'rebalancing' policy?

Bower: I think Southeast Asia still has questions about the US rebalancing, or the 'pivot', and its sustainability. What would convince — not just Southeast Asia but all Asia — is if President Obama and American politicians start to talk to Americans in the United States about why Asia is important for our future — for our economy, health, and security. When that happens, I think ASEAN will know that there's a political foundation to support American foreign policy and trade policy being long-term engaged in the region.

biz.hk: The US Congress plays an important role in US trade policy. But people overseas see a much divided Congress. How can Washington convince the world that, "No, you don't have to worry?"

Bower: To do that, the White House has to work with the Hill and together promote our national interests. Even though there will be political competition between Democrats and Republicans, there are things that they can agree on, particularly when looking to the United States' place in the world, so our national security, foreign policy, and trade policy can have bipartisan support. I do believe that there is a consensus forming in Washington on trade. A part of this is economic necessity that our economy has been down and we need engines for growth. Anybody who does the math can see that Asia is where the growth is. The Americans have to be part of that. I detect in Washington a real common cause between the White House and Republicans and both the House and the Senate to do trade.

biz.hk: What about American companies? Do they have a role to play?

Bower: A couple of things will happen. American companies are going to get into the game. They've been largely sitting on the sidelines on trade because the administration — in Obama's first term — was not interested in doing trade agreements. The administration was interested in being involved or to be at



Photo: US State Department

John Kerry (centre) in Brunei, July 2013

the table with ASEAN colleagues, but they weren't interested in taking a deal and getting it done. That's changed. So what you'll see is that companies — now that they know the administration is more serious about a trade deal — will get much more engaged. You will see American CEOs travelling with cabinet ministers from the Obama administration. You will see a strong business lobby starting to really get into gear behind trade in the US and this will include business chambers, etc. This is going to change the game quite a bit. Having American companies, money, and people behind these deals will help drive a consensus between the White House and the Hill.

biz.hk: Is TPP in competition with RCEP (Regional Comprehensive Economic Partnership) in Asia, or will the two trade pacts be able to exist together?

Bower: I think Washington has learned a few lessons about Asia in the last couple of years. One of the lessons is that regional architecture is not necessarily competing but can be overlapping. In that sense, you can connect different architectures. This didn't fit well with America's model before. It used to be that we wanted to — quite frankly — use every bit of economic might and diplomatic power to convince everybody

to come together on one architecture and then drive that. Because of the new structure of power in the world, the United States has come to understand that there are going to be different architectures. The question is which ones do we Americans need to be involved in?

The other realization Washington has come to is that any Asian economic integration models or architectures that do not include China are not interesting to the rest of Asia because China is a big economy. You really can't ask your partners to do something without China. It just doesn't make sense.

There is also a realization that TPP is strategically an excellent model because you work with a coalition of countries who also want a very high-level trade and investment opening agreement. Having reached that agreement you'll see a big burst in trade and investment between those countries. That will create a competitive pull for China and other countries that aren't yet in the TPP to join in. But you will also have to be part of the economic integration model — RCEP — that includes China and India because you are not going to be able to do as much in terms of [having] an effective, legally binding effective trade agreement that deals with 21st Century issues unless you are also part of that discussion of the broader economic

integration in Asia – even if it the RCEP is a lower level, tariff-only type agreement for now. You have to do both so that you can establish a high-level model, but you also have to be at the ground-level and then move those countries that are willing and able at the RCEP level up to the TPP.

biz.hk: How will the TPP move forward next year?

Bower: Something is very different in TPP now that President Obama has been re-elected. What's different is that the Americans have switched from moving along with the negotiations to wanting a deal done because politically the President can take a deal to Congress and he may be able to get it passed. Now, he doesn't have to worry about alienating his labor base. What's different now is that the Americans want a deal. They'd like to get it done before the Congressional elections in November 2014. That's going to change the complexity of the negotiations quite significantly.

biz.hk: What about Japan?

Bower: Bringing Japan in at this late stage of negotiations presents the biggest risk to TPP because it is an enormous economy, and with very real politics. But the Japanese will have to agree to join the negotiations where they were at that point. That all depends on politics in Japan and [Japanese Prime Minister Shinzo] Abe's ability to win the July election and have the confidence of the Japanese people to really change Japan's approach to economic engagement with the rest of the world. Abe looks to be very popular right now. The polling for his election looks strong. So if Abe comes away with a mandate – which I suspect he will – later this month, that should make TPP at least marginally easier and reduce the risk of Japan dropping out of the TPP or diverting the TPP.

biz.hk: ASEAN is striving to achieve full economic integration in 2015. What will happen then, and what are the implications for business?

Bower: ASEAN has set a goal of

substantial comprehensive economic integration by 2015. In a lot of ways that will be achieved: tariffs and those low-hanging fruits (tariffs will be between zero to five percent at almost 99 percent across the region). The big challenge will be the movement of people and services. Some of these will not be done by 2015.

“Something is very different in TPP now that President Obama has been re-elected. What's different is that the Americans have switched from moving along with the negotiations to wanting a deal done because politically the President can take a deal to Congress and he may be able to get it passed.”

The other piece is the ASEAN single window, which is about Customs harmonization across ASEAN. Right now it exists and companies can go and take advantage of a common Customs platform and the reduced tariffs. But you'll have to go and get it. You've got to work for it every day and bring your own paperwork in. Until ASEAN companies start really pushing their governments to use the single window, we won't have effective economic integration across ASEAN by 2015. We'll have substantive economic integration by 2015 but it will not be comprehensive and it won't be in services and investment. Movement of people will not be done by 2015.

biz.hk: Where do you see ASEAN being 10 years from now? Will it become a strong regional power?

Bower: ASEAN will be a much stronger regional body in 10 years. The ASEAN

Secretariat won't be staffed up at the European levels, but I think that the Secretariat and ASEAN integration will be substantially further along than they are now. ASEAN will mean much more to ASEAN citizens and businesses. There will be a lot more ASEAN infrastructure and architecture – even an ASEAN basketball league and football league that people actually go to and care about. A real effective ASEAN forum – that is at the centre of a new defense and security architecture – will be the EAS (East Asia Summit). Ten years from now, and through the RCEP, ASEAN will be the core of a new trade architecture for Asia. ASEAN's significance will greatly advance in the next decade.

biz.hk: How will APEC and India fit into all these?

Bower: India ties in completely. ASEAN wants India to be more engaged. India said its policies in 1992 will be to look east. ASEAN and other partners want India to act east, invest east and do security east. The new architecture under the EAS will draw India into defense through the ADMM-plus (ASEAN Defense Ministers' Meeting-Plus) and the Indians will start to participate more aggressively in the economic and trade architecture through the RCEP and the ASEAN economic ministers' meetings. We will even see Indians more engaged in people-to-people and cultural ties through the ASEAN regional forum and other architectures. What will happen is there is a rationalization of architectures through the ASEAN ministerial meetings and they will become ministerial meetings that lead up to recommendations to leaders at the East Asia Summit, and that will create a more comprehensive and deeper discussion among the EAS leaders. What that means is that within five years the leaders will not find it necessary – at least not all the time – to be at the APEC meeting. So the annual general meeting of the Indo-Pacific will be the EAS, and APEC will be an important ministerial and facilitating body but it will not be the place where all the leaders show up every year.

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Jeremy Burks

A Silicones Pioneer in China

Dow Corning's Greater China President Jeremy Burks discusses its China growth strategy as the company celebrates its 40th anniversary in Hong Kong

By Helen Luk

Photos: Brian Production Ltd

Back in the early 1970s, before late Chinese leader Deng Xiaoping decided to open up China's economy, China was hardly an obvious choice for top corporate executives plotting their emerging market strategy.

That's why Jeremy Burks admires all the more the foresight of his predecessors at US silicone product innovator Dow Corning who made the smart decision back in 1973 to set up an office in Hong Kong. At the time, flexible, thin-film silicon conformal coatings had just been introduced and the breakthrough technology later paved the way for the inventions of a wide range of products such as cell phones, PDAs and ultra-thin laptop computers that has now become ubiquitous.

"We started in the Greater China region 40 years ago with an office in Hong Kong, then we moved into Taiwan and then into Shanghai and around China," Burks says in an interview with *biz.hk* during a recent visit to the city. "Nowadays, it seems obvious to put something into Hong Kong. In 1973, it probably wasn't so obvious. It was very far-sighted of the leaders of Dow Corning at that time."

Headquartered in Midland, Michigan, Dow Corning was established in 1943 to explore the potential of silicone, a water- and heat-resistant material. The company's global turnover now stands at US\$6 billion with about 11,000 employees and half of its annual sales are outside of the US. It produces more than 7,000 silicone-based products that can be used in industries including car manufacturing, building and construction, electronics, household and personal care, renewable energy, and textiles.

The China field

In China, Dow Corning has 1,700 employees across Beijing, Chengdu, Guangzhou, Shanghai, Shenzhen, and Hong Kong with investments of more than US\$2 billion. It has a China business and technology center in

Shanghai, a joint venture in Zhangjiagang (Jiangsu), as well as manufacturing facilities in Songjiang, southwest of Shanghai and also in Jiangsu province.

Burks says Dow Corning has not been affected much by China's recent economic slowdown as the country's rapid urbanization has resulted in a building boom and soaring domestic consumption. The company moved a big part of its manufacturing to China and has been focusing on supplying silicone products for the automobile, construction, personal electronics and solar and other renewable energy industries.

"Business for us here is very good even though last year was the lowest gross domestic product growth in the region since 1999. Our business was accelerating through last year and continues to do that into this year."

"Business for us here is very good even though last year was the lowest gross domestic product growth in the region since 1999. Our business was accelerating through last year and continues to do that into this year. The industries that I've mentioned are all important growth engines for us," he says. "We continue to hire people and invest in our manufacturing operations and ability to serve customers."

Without giving specifics figures, Burks says the company expects its China growth to outstrip that of the particular industries it serves by a factor of two to three.

"If we just grew with the market, that would mean that interest in our material would stabilize," he explains. "We are constantly looking for new applications by talking to customers about what they are trying to design and develop, and we try to get involved in that process to see if we can help them overcome design or development challenges. Therefore, that should eventually result in an increased number of applications, which is why our growth should be much higher than the underlying market that we serve."

One of Dow Corning's major businesses in China is supplying silicone products to car component manufacturers. With an explosion of car sales in China, which grew 7.7 percent in 2012 and 21.6 percent in the first quarter of this year, the industry is certainly looking bright.

"Even though the car growth may be lower than it was in 2010, the penetration of our materials into that industry is higher," Burks further explains. "For instance, our materials get used in airbags. Any time the quality and sophistication of the car increases, then our materials tend to get used more... Interest in safety components is much, much higher than it was before and it will continue to grow."

Green building materials

Another hot spot is the construction industry, where building output is expected to increase by 2.5 to 5 percent this year, according to a China construction market survey released in March by The Royal Institution of Chartered Surveyors.

As combating climate change becomes a global priority, China is among a growing list of countries that are trying to improve energy efficiency in buildings, which are responsible for more than 40 percent of the world's total energy use and a third of greenhouse-gas emissions globally.

"Green buildings are a focus of our attention. As developing and emerging



economies grow, the demand for energy is going to be huge and one of the biggest sources for new energy is going to come from energy savings," Burks says. "As a really substantial user of energy, buildings are obviously a target for increased energy efficiency and we think we have a role to play there."

He says a new Dow Corning product, vacuum-insulated panels, which are thin, effective insulators that

prevent the transfer of heat in and out of a building, will help improve energy efficiency and save space.

Changing tides

As Chinese companies gain dominance in the world markets, Burks says there has been an interesting change in the mix of Dow Corning's customers in China too: Companies who used to manufacture for the domestic

market are increasingly turning to exports as overseas demand for their products rises, while those who used to be export-oriented are now turning inwards to their home market.

"Nowadays, China is the biggest market in the world for automotives and an increasing portion of electronic products is consumed and sold in China. Interestingly, some of our construction customers are getting more and more into exports, so when they make these big glass panels, they export them overseas. Where the customers would previously export their products, they now increasingly sell domestically.

"That's a challenge but is also an opportunity for us because that means customers go into product redesign and they have to work on satisfying a different set of customers, which always opens opportunities for innovation and that's interesting for Dow Corning," he says.

According to Burks, Chinese consumers' demand for high-quality products is growing – some of the innovations the company developed specifically for the China market, such as a tissue paper-softening technology using silicone, are now being brought to other markets that Dow Corning serves.

Talent crunch

Having been in Asia since 2004, Burks first worked in Korea before moving to China and he was appointed Greater China president of the company in 2010. In his current role, he oversees the company's government, employee and customer relations.

Given the sheer size of the China market and the rapid speed at which it develops, Burks says finding and retaining the right talent to manage a business that is big and fast-growing has been a real challenge.

"In other parts of the world where we have businesses this large, we also have very experienced workforces; whereas here, employees are less experienced in our technology,



customers and applications," he says. "That places a challenge on talent management and development."

"On top of that, we see fairly rapid wage increases, and so you need quite some productivity improvements to go along with that in order to deal with the competitive environment, cope with the wage hikes and at the same time manage a business that is pretty large and sophisticated."

To address the skills gaps, Burks says Dow Corning invests a lot in employee development and provides a whole suite of training programs to hone their technical, safety and compliance knowledge, sales and marketing skills, as well as leadership qualities.

"We put a tremendous amount of effort into ensuring that every employee has their own career development plan, and that looks at raising their performance inside their current job and preparing them for the next

job, having very open and honest communications with them about what could be their next position... and how do they become very viable candidates for those roles," he says.

Because of the growing importance of China in Dow Corning's global organizational structure, Burks says it has become increasingly important that business gets initiated and led from the region. Therefore, strengthening its China employees' strategic development capabilities will be a key focus going forward.


"We are looking for people who can lead this region and then lead the company," he says. "You see more and more employees in this region having global leadership roles. We start to base global marketing positions, regional project leadership positions and some functional leadership positions in the country... You've got to be prepared to take a risk and bet on

people and then support them. It's important that you give them the opportunity."

Hong Kong's role

As major Chinese cities like Beijing and Shanghai continue to develop rapidly, does Burks share some observers' fears that Hong Kong may be losing its competitive edge despite Dow Corning's longstanding history with the city? The answer is apparently no.

He remains upbeat about Hong Kong's future prospects as a bridge between China and the outside world.

"Hong Kong is a source of talented people. It's an environment where entrepreneurial and creative thinking is encouraged, and it seems to still attract talented people from around the world," he says. "We had a very successful 40 years here and we want the next 40 to be successful too." 



Andrew Cheung

Long Ip

Kenneth Lee

Elizabeth Tse

2012/2013 AmCham Charitable Foundation Awards

By Michelle Ko

A Hong Kong MBA student and three to-be US college freshmen are seated at a table near the podium, where Professor David Shambaugh, professor of political science and international affairs at the George Washington University, is giving a speech on his new book, *China Goes Global: The Partial Power*. (for full story on Shambaugh's new book, see page 8)

As Professor Shambaugh evaluates China's influence as a "spreading but partial" global power, part of a luncheon talk cum prize giving ceremony, the board room at the Renaissance Harbour View Hotel in Wanchai was filled with an air of controlled excitement: a generation of capable, ambitious young people given a glimpse of the greater intellectual depths they are about to discover as they press on.

AmCham Charitable Foundation

Founded in 1985, the American

Chamber of Commerce in Hong Kong (AmCham) Charitable Foundation endeavors to raise funds for and contribute to educational, training and other charitable projects in Hong Kong. The Foundation puts much emphasis on supporting quality education, which is a major pillar in AmCham's commitment to improving Hong Kong's long-term competitiveness.

In recognition of students with a global vision and potential to further Hong Kong's excellence, the Foundation awards the Lyn Edinger US Studies Scholarship and the Scholar Award annually. Introduced in 1977, the Scholar Award aims to recognize full-time MBA students from the Chinese University of Hong Kong, the Hong Kong University of Science & Technology, and the University of Hong Kong who have achieved outstanding academic results during the first year of their studies. Established more recently in 2010, the US Studies Scholarship is a token of support and appreciation to exceptional Hong Kong

secondary school students who have gained admission to a four-year undergraduate degree program at a US college.

This year's Lyn Edinger US Scholarship winners, Elizabeth Tse and Kenneth Lee from Chinese International School (CIS) and Long Ip from Wah Yan College (Hong Kong), true to the intention of the Foundation's awards, are students who embody the international and dynamic quality of Hong Kong. They have the skills and vision that fuel their pursuit of knowledge abroad, yet are not lacking in the understanding of Hong Kong, China and what it means to be global citizens. Both Elizabeth and Kenneth are going to Georgetown University while Long will attend the University of California, Los Angeles.

One of the three Scholar Award recipients, MBA student, Andrew Cheung, from the Hong Kong University of Science & Technology, is also a role model for young people who are ready to excel in a culturally diverse workplace and lead Hong Kong to becoming more

competitive on the international stage. In separate interviews with *biz.hk*, the award winners share their visions and views on education in Hong Kong.

What we think

"I think if you want to expose yourself more, it's more of your own initiative to join clubs like MUN (Model United Nations Club), it's more about making yourself know more about the world," says Kenneth, citing the many opportunities local and international school students alike are privileged to enjoy. Elizabeth also points out the various rewards of taking the initiative to learn, as Hong Kong is the "Asia's World City" that prides itself in its exposure and connection to the world.

But there seems to be a divide in Hong Kong students' vision and aptness, with those who embody both the local and the international systems still relatively scarce. Spending all his academic life in the international school system, Kenneth acknowledges that Hong Kong students, and perhaps more so for those who have planned early on to study or even work and live abroad, lack understanding of the society at home.

"They [some students] don't know much about what's going on across the Victoria Harbor, or about Hong Kong politics, which I think it's a shame because Hong Kong is at this transitional period now ... and I think us, the future generation, should know more about what's going on, rather than just tending to our own lives," says Kenneth.

He also has a small confession to make: "A lot of friends at CIS, and me included, didn't really like Chinese class. But then Chinese, I realized after I graduated, is going to be a valuable asset. I think Hong Kong students should really cherish their bilingual ability ... these two language skills need to be developed side-by-side to reach equal excellence. Chinese is an important language and I kind of regret not learning it better."

And while Elizabeth considers herself lucky to benefit from CIS' emphasis on learning about China, she agrees that the Chinese culture and language are valuable market and identity assets that international students in general are missing out

on. "I think our school does a very good job in trying to get students to know more about China. For example, we have trips for year 7-9 students, where the whole year group has to go somewhere in China, like Hangzhou, and spend two weeks there doing community service," says Elizabeth. "But it would be nice if there was more emphasis on learning about the Chinese culture and Chinese language particularly."

On the other hand, Long, having finished secondary education at a local school, observes a deficiency on the other side of the spectrum. "I think Hong Kong's school system should not be so academically based. For example, for universities in Hong Kong, they are just admitting students with high scores. That is one of the reasons why Hong Kong students don't want to go out of their comfort zones and just stay at school and take supplementary lessons.

"To a certain extent, I think Hong Kong students seem to think Hong Kong is already a global city and that they've seen enough of the world," he adds.

Elizabeth chimes in and adds that "they [international school students] tend to be more outgoing and extroverted, and they are definitely very self-motivated. I would like to see local school students take on more of that attitude."

Knowledge is wealth

Andrew echoes the three with his experience studying and working internationally: "Some people are not as strong in English and they are only good in Cantonese, which is quite a shame because Cantonese is only useful in Hong Kong, so that kind of limits the mobility of Hong Kong students, compared to someone who grew up in say England or Germany, where people have good English skills that can allow them to make a move to almost any country in the world. On the other hand, there's a class of people who are very multilingual and diverse."

However, Andrew is optimistic about the future of the local workforce, noting from work that many colleagues "are very aware of what is important in business today, more so than youth from

2012/2013 AmCham Charitable Foundation Annual Scholar Awards

- Petrina So, The Chinese University of Hong Kong
 - Andrew Cheung, The Hong Kong University of Science & Technology
 - Stephen Wong, The Chinese University of Hong Kong
- Petrina So and Stephen Wong were not in Hong Kong and their awards were accepted by their representatives.*

2012/2013 Lyn Edinger US Studies Scholarship

- Elizabeth Tse, Georgetown University
- Kenneth Lee, Georgetown University
- Long Ip, University of California, Los Angeles

other countries. They are very aware of the need to improve their Putonghua and they are very eager and ambitious to be better at the language". Moreover, Hong Kong's diversity and inclusiveness gives the city a unique edge, where expatriates can live and work without the pressure of "being a minority".

Perhaps some suggestions to students in Hong Kong? Elizabeth smiles broadly as she recalls her own journey. "I think as a student, one must do what one loves. When I came to CIS, I found my passion in the humanities and international affairs and doing all sorts of extra-curricular activities like MUN."

"Hong Kong needs an environment where the children are inspired to take on things they love ... schools should have resources to empower students to do what they love!"

Andrew also speaks of his experience enthusiastically: "There is one thing I've learned, to keep pursuing learning; life-long learning is an important concept ... it could be about anything, say 'How is a toy made? Or how does a car work? Or what are bonds?'"

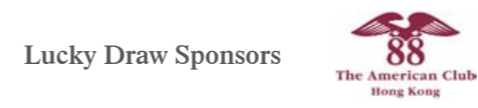
Just as Long and Kenneth emphasize the need to be proactive in pursuing new avenues, Andrew ends on an inspirational note: "All these things, they build you up as a person, and they grow your wealth—knowledge is wealth."



AmCham Celebrates "Fourth of July"

AmCham Hong Kong hosted a special luncheon at Hong Kong Disneyland Resort on Saturday, June 29 in celebration of the US Independence Day. Guests were treated to a large selection of "finger-licking" gourmet and barbeque food as well as enticing desserts and drinks, while kids enjoyed a number of fun games. It was a "wonderful" afternoon with beautiful weather at an iconic venue where families and friends got to spend some quality time together and have their special moment with Disney's Mickey captured on camera.

Special thanks go to sponsors, including IOIO, Jones Lang LaSalle and Asian Tigers Mobility, for making this year's celebration a magical event, and The American Club, Auberge Discovery Bay, Hong Kong Disneyland, Esso and Microsoft for their lucky draw prizes.



THROUGH MY LENSES

Grit means “indomitable courage, toughness, or resolution”. That, indeed, is a fair description of Bruce Li, an 18-year-old graduate of Hong Kong International School. Early this year, Bruce spent days visiting roof-top housing, sub-divided flats, cage homes and cubicle families across Hong Kong. The fruits of his visits are now collected in a self-financed photo book titled Grit. Michelle Ko talked to Bruce to find out more about his photo adventure

A photo collection of substandard housing in Hong Kong, *Grit* is a school senior project gone way too serious. In a moment of introspection, Bruce Li explains to me the creation of *Grit* and his journey to exploring both Hong Kong and himself.

Two sides of Bruce, two sides of Hong Kong

A slightly-worn blue cap in one hand and his Olympus OM-4 camera

and film snugly tucked in a leather pouch in the other, the sincere-looking young man sitting across the table is a teenager who wears a faint smile on his face. Bruce just graduated from Hong Kong International School (HKIS) and will be heading for Brown University in the US next month. But he is interested in what happens on the ground in Hong Kong, and is ready to do more.

“I come from a very local family ... the majority of my extended family don’t speak English,” says Bruce, citing the only reason he went to an international school was because he didn’t excel in interviews for local

schools. Before Bruce was born, his family used to live in a squatter hut, a common solution to housing problems back in the 1960-70s, before they moved to a small unit in Lam Tin. Over the years, the Li’s got financially better and now lives in private housing.

Being in the comfortable, tight-knit American community of HKIS, one can easily be led to believe that there is only one lovely side to life: “You know how on Facebook you get to see someone’s mutual friends in Hong Kong, US or even around the world, and you think that’s the way the world functions, everything is connected and

everyone is living an easy life.”

Bruce however sees a wide economic range within his extended family, and is starkly aware that poverty and income gap issues have always been part of his life experience, let alone that of the Hong Kong society. With the aim of learning about and sharing the other side of Hong Kong to his peers at school, Bruce set out on a project that he knew would take him to the darker corners of the city.

“Because I think as an individual, I’m one of those people who really benefitted from the economic growth

in Hong Kong, so I thought I could give back to Hong Kong in some way, because it’s given so much to me.”

The inspiration for *Grit* came when Bruce saw an RTHK program that invited wealthy Hong Kong citizens to experience the life of the lower-class, living on bare subsistence with what little they earn from collecting cardboards and spending sleepless nights in subdivided flats in the agony of heat and hunger. Inspired by his family background and the documentary, Bruce’s photographic investigation of poverty in Hong Kong began to take shape.



Bruce Li

Into the concrete jungle

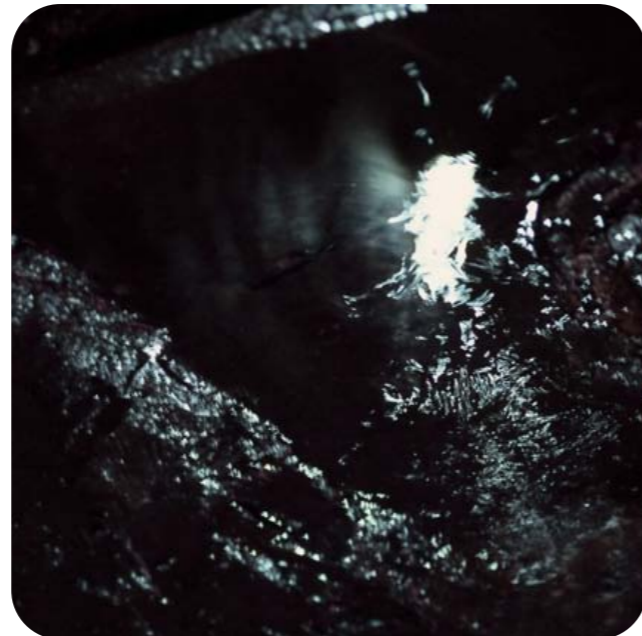
Grit does not merely feature the outlooks of substandard housing and poor neighborhoods, but it captures the people in their tiny personal havens (or hell) and tells their stories in a photogenic narrative. Bruce grimaces slightly as he recalls the long process that eventually places him in the homes of disadvantaged communities, who opened their doors and hearts to the rare and intent listener.

how to approach people and visit places on his own. Before long he was walking up narrow flights of stairs and knocking on age-worn doors in Tsuen Wan, Causeway Bay, Tai Kok Tsui, Sham Shui Po and Ngau Tau Kok, waiting for people to talk to him.

“I did get rejected a lot,” Bruce says, but quickly dismisses the obstacles as he points out the general openness he was met with. “But surprisingly, most of the people I met were very willing to talk, they were very vocal. I guess that’s because they never really had a chance to voice their

they are better off stand-alone ... So I went with color instead, it’s more intimate and relatable, and that was the point: I want people to relate in some way and feel that housing issue is very tangible and close to them.”

In the iridescence of his camera lens, Bruce tries to tell the stories of the people he met by sequencing his photos carefully. “If you pay close attention, I try to make it narrative, say moving from the outside into the house; the layout is also very important,” he points out, his eyes twinkling imperceptibly as he flips through the



In the project’s inception, Bruce contacted Sze Lai Shan, the local rights activist and social worker who helped produce the RTHK documentary, for guidance. Sze brought him to two communities in North Point and Causeway Bay that were representative of Hong Kong’s cage homes and cubical homes. When Sze was unavailable for further visits, Bruce found himself stuck with no contacts or knowledge in the field, but not for long. Soon Bruce came in contact with two photo journalists who taught him

opinion on things, because no one would listen to them.”

Lights and colors: our city’s stories

“I think color is very representative of Hong Kong, with its neon and fluorescent lights. I also used film because it reacts in a certain way to fluorescent color,” Bruce says as I inquired about the colors and contrast of his photos. “I think black-and-white photographs are very powerful, but

album that took eight months to complete, stopping on a series of rooftop houses in Tai Kok Tsui. Taken at a window, the picture invites its audience to peer at the rain dancing on the tin rooftops. The pages that follow show a puddle of water, and zoom out to include a desolate alley soaked in the blue of rain, skillfully contrasted against the warm rusty orange of a T-shirt hung inside a tin hut.

Running his finger over the thick glossy pages as if calling back memories of his visits, Bruce adds, “I think for

something about substandard housing, which is obviously not perfect, there doesn’t need to be perfect photography for it ... it’s more about me trying to capture the texture, the atmosphere, the smell of these places.”

Moving forward

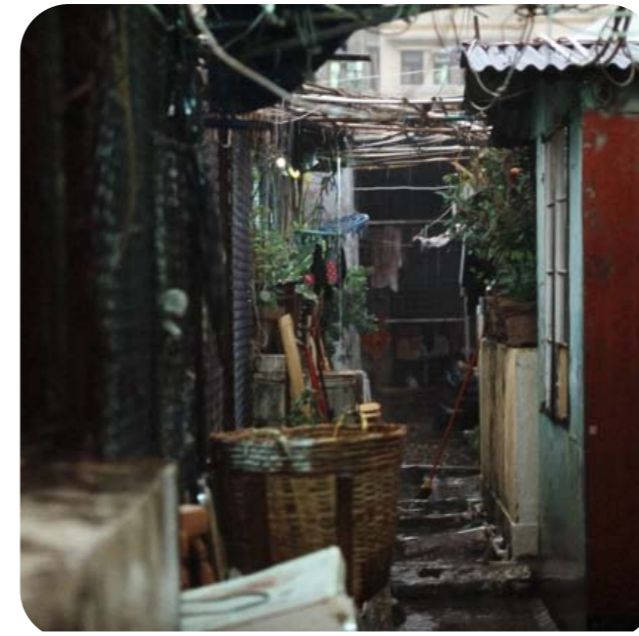
Now I am curious: what changed after the project?

“On a personal level, this book is very much about challenging my own emotions and being willing to feel sad. Sad not in a bad way, but in a way that

The issue: Substandard Housing in Hong Kong

According to an independent study commissioned by the government early this year, it is estimated that 171,000 individuals live in substandard housing in Hong Kong, with over 30,000 living in units that lack their own kitchen, bathroom and water supply. Some 9 percent of these residents have completed tertiary education, and are not low-wage workers. The figure has not covered the many illegal dwellings in industrial buildings.

According to the study, the living space per person in subdivided flats is less than half the average 150 square feet per head in Hong Kong, as compared to 300 square feet in Singapore and 180 square feet in Shanghai.



makes me want to do something,” Bruce says, with the same determination that is present in the people for whom this project was made. Bruce chose the title *Grit* because it not only describes the rundown physical conditions of the lower-class dwellings, but also because “being a grit” embodies the strong will and character of the residents he had encountered.

“Despite their problems, there’s a lot of hope in them and they simply don’t give up,” he observes. So this

summer, Bruce is working to give everyone involved in *Grit*’s making a copy of the album, expressing his gratitude and support to the residents who defy the limits of their surroundings, and those who work tirelessly to better housing conditions in Hong Kong.

Intrigued and empowered by this project, Bruce says he is interested in making more photo books to explore the society’s underlying currents. While he is considering whether to partner with a writer and document social issues in a more tangible manner,

Bruce is certainly on his way to honing his skills for a comeback. Currently enrolled in a joint program by Brown University and the Rhode Island School of Design, Bruce is considering focusing on photography for his fine arts major at Rhode Island while taking courses in political science, sociology and environmental science at Brown. “But definitely in the future I hope to continue to do something for Hong Kong – because I love Hong Kong – in a visual way,” Bruce says, with a broad smile spreading across his face. 📷

Mark Your Calendar ★ ★ ★ ★ ★

Aug
06

Sustainability Education in Hong Kong

Chak K Chan
Head and Professor, Division of Environment
Professor of Chemical and Biomolecular Engineering
Director of the Institute for the Environment
Hong Kong University of Science and Technology

In this luncheon talk, Professor Chan will give a presentation on Sustainability Education in Hong Kong.

Topics include:

- What the University can do to solve environmental challenges facing us
- The deficiency of traditional University programs
- How they can be improved and the difficulties of doing so
- Sharing of students' experience

Prof Chak K Chan obtained a BSc in Chemical Engineering from the University of Texas at Austin in 1986 and PhD in Chemical Engineering from the California Institute of Technology in 1992. His research interests include air pollution, aerosol science and atmospheric chemistry. Recently, he serves as Project Manager of the HKUST Air Quality Research Supersite, which is a research facility specializing in the real time measurements of particulate pollutants.

Chan received Second Prize of the State Natural Science Award in 2010 and First Prize of the Natural Science Award in 2007, based on his work on PM2.5. He is Editor-in-Chief of *Atmospheric Environment*, an international journal focusing on air pollution and its societal impacts.

Venue:
AmCham Office
1904 Bank of America Tower
12 Harcourt Road, Central

Time:
12:00 - 2:00pm
(Sandwiches and beverages included)

Fee(s):
Member Fee:
HK\$250
Non Member Fee:
HK\$380

Aug
14

Rock Caverns – Hong Kong's Hidden Land

Dr Samuel Ng
Chief Geotechnical Engineer/Planning
Civil Engineering and Development Department, HKSAR Government

In September 2012, the Civil Engineering and Development Department instigated a study on "Long-term Strategy for Cavern Development," which is to develop a holistic approach in planning and implementing cavern development, so as to render it a sustainable means for expanding land resources.

The study also places emphasis on private sector participation because many private sector facilities, such as storage, warehousing and data centers, can benefit from rock caverns' stable and secure setting. The formulation and implementation of a long-term strategy for cavern development could provide a sustainable approach in easing the pressure of land shortage.

Dr Samuel Ng obtained his PhD in Geology from the University of Alberta, Canada. Before joining the CEDD in 1994, he worked in the Cayman Islands and United States. Ng now heads the Planning Division of CEDD, which covers geological survey, engineering geology and terrain evaluation, including natural terrain landslide risk assessment. Since 2009, he has been actively involved in the policy initiative of promoting the planned use of rock caverns in Hong Kong and is currently overseeing the work on developing a long-term strategy for cavern development.

Venue:
AmCham Office
1904 Bank of America Tower
12 Harcourt Road, Central

Time:
12:00 - 2:00pm
(Sandwiches and beverages included)

Fee(s):
Member Fee:
HK\$250
Non Member Fee:
HK\$380

Aug
19

Innovations in Energy Saving

L M Chow
Director – Marketing and Customer Services
CLP Power Hong Kong Limited

To achieve a sustainable development, responsible and forward-looking power companies continue to introduce various initiatives to support their customers to improve energy efficiency and eco-friendliness. They provide tailor-made energy saving advice to business customers and keep inventing new services and innovative programs.

There are success stories in wide range of industries from hotels, commercial buildings to SMEs like laundry shops and farms. The presentation will share some of the success stories that can inspire the other business corporations to follow suit.

L M Chow has been serving the power industry in Hong Kong for over 36 years. His exposure covers the electricity generation, transmission, distribution and retail. In recent years, he has been actively leading the retail teams of CLP Power to promote energy efficiency and conservation to Hong Kong customers, and providing technologies, tools and solutions to help them save energy.

Venue:
AmCham Office
1904 Bank of America Tower
12 Harcourt Road, Central

Time:
12:00 - 2:00pm
(Sandwiches and beverages included)

Fee(s):
Member Fee:
HK\$250
Non Member Fee:
HK\$380

2013
Aug

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19 Mon ★

20 Tue

21 Wed

22 Thu

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28 Wed

29 Thu

30 Fri

31 Sat



FAST FACTS

Community
AmCham celebrates over 40 years of promoting business and fostering greater trade ties and community service in Hong Kong.

Activities
Members can access roughly 400 programs, seminars, and conferences each year featuring top business and government leaders, industry experts and professional facilitators who address timely and relevant business issues.

Members
Over 1,800 members (40 different nationalities) from over 800 organizations, including multinational firms, small and medium enterprises, entrepreneurs, and non-profit organizations.

Committees
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CHAMBER OF COMMERCE
IN HONG KONG

BENEFITS

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Visibility and Corporate Exposure
Information
Advocacy

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Eric Maurin, Head of Commercial Banking, Asia, Credit Agricole CIB

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