

**MCBC Steps Out**  
**International Business Exchange Council & Invest Hong Kong**

**Hong Kong: Adventure Beats Money**

*But Making Money Makes the Adventure Better*

By Mike Violette

*You have packed only what you can sling over your shoulders, gathered your bags and received godspeeds from and said your awkward good-byes to your family and friends. Hopping a cheap seat to Dover as the sun sets over a harried London rail-yard, your loved ones wave in the distance as the train gathers speed and rattles rhythms clacked on the tracks running south towards the Channel and the boat that will take your fresh dreams to the Continent and to...who knows? Alighting there, whatever vessel conveys you towards your final destination is adequate and happily accepted, because the pounds and francs and marks are few and conserved like a breath on the moon. A warm, dream-filled night is savored gratefully as the roll of the road rocks away the doubt from a million miles away. Watching the rise of the sun and the view from the window of a creaking lorry, the question of not “why?” but “where?” pounds its insistent query against your aching temples. You know it was time roam the orb; but where to stop?*

*Eighteen months later, in roundabout fashion through France, Czechoslovakia, Albania, a hop-scotch by air across India—because the roads are only lines on paper, not real things—through Afghanistan of relatively simpler times, through Cambodia, skirting Vietnam because it’s way too hot there in 1972 and up and down the thickly-forested Peninsula of Malaysia, all beautiful in their way, all waypoints to your final destination: the bustling and inimitable city of Hong Kong. Here is where your wake stops, crashing against the shores of the nine dragons.*

*And if you knew where you’d be thirty-five years on, would you still make the first step? Only you can answer this.*

Flash-forward to Tysons Corner in the aluminum and glass edifice of the **Capital One** building and you’re addressing the gathering of dark suits and business dress. It’s a late-summer early fall day, the kind that Washingtonians stay in Washington to savor a few dozen times a year. You are greeted with smiles upon your arrival. A welcome sight.



Kelly, Amanda, Lisa and Jackie

(Note: the words and recreations of this missive are entirely the fault of the author, who blames them on a sugar high from one too many glazed donuts served at the meeting).

The Assembled have arrived from Northern Virginia, Suburban Maryland and the District to the **IBEC Global Business Series** featuring *Hong Kong's Solutions for Success in China*. They have come to hear **Mike Rowse**. He has the gravitas of starting and running **Invest Hong Kong** and has a few words to say about why Hong Kong is a compelling center for business in China (and Asia).

**Kevin Reynolds**, President of **Cardinal Bank** and Chairman of the **Fairfax County Chamber** opens the session and introduces **Kelly Jones** of **Invest Hong Kong**, who provides some background on Mike's storied career.



Kevin Opens the Session

Kelly Introduces the Moderator

Saying thank-yous and words of gratitude to the **Fairfax Chamber of Commerce**, its many sponsors, found here: [IBEC Sponsors](#), Mike begins his measured message:



Mike addresses the IBEC Gathering.  
Dan and John listen intently.

First a little history: China's lurch to modern 'capitalism' began earnestly in 1976. That year, two founders of Communist China's government, **Mao Zedong** and **Chou Enlai** passed to their divine reward, joining Joe and Karl and the rest of their ilk. The new phase of China's ascent began with **Hua Guofeng's** advocacy of the re-re-habilitated **Deng Xiaoping**. Brushing aside the chaos and confusion that marked the end of the Cultural Revolution and the various purges, condemnations, party infighting and other un-delectable artifacts of Mao's passing, Deng realized that the way to modernize China was to choose another course of action. Central planning, or, rather control, was fine (and suited to China's history), but market forces needed to be injected into a moribund and backwards country. The rest, as they say, is history.



Deng invoked a Sichuan proverb and is oft-quoted, "No matter if it is a white cat or a black cat; as long as it can catch mice, it is a good cat." The new cat that he unleashed took the best ideas to make the country strong, starting with experiments in managed capitalism in Special Economic Zones (SEZs) in the southern part of China.

These zones enjoyed special exemptions and freedoms from the central government control.

Deng likes cats

The first SEZ, in Shenzhen, which in 1979 was a sleepy fishing village across the water from Hong Kong, ignited a fit of success that has resulted in flagship stores now offering Gucci and Coach and Rolex on the streets of Beijing (the real McCoy, too).

Through measured steps, managing the transition of Hong Kong back to the British, China maintained a steady focus on the future of Hong Kong and recognized its importance in transitioning to “One Country-Two Systems.” The same was done with Macau (the first and last European Colony), which was ceded to the Portuguese and returned to China in 1999.

So, in all this froth—the end-result which businesses can now enjoy—is a Hong Kong that offers the following benefits for organizations that want to make money in China:

1. A strong local market of 7 million people with a per capita GDP of \$30K. Twenty million visitors per year. Shopping! Tailored suits! Disneyland!
2. Coordination center for China for sourcing from China.
3. Springboard for WOFE formation in China. Having a HK company own a WOFE in the PRC gives certain tangible benefits and protections as corporate transactions are performed under HK rule.
4. Hong Kong is the center of East Asia and is an entry point for the region.

Mike is followed by fellow Hong Kong-philes **Daniel Booth**, VP of **ISC Trust** and **John Simon** of **Crown Relocations**.

Daniel Booth weighed in on the legal system. Hong Kong’s system is based on British law, naturally enough, and the Chinese recognized that there was no way to scrap this and implant Chinese law when they reassumed sovereignty over the area. First, the system was working well for a century or more. Second, the Chinese legal system was (is) still in its infancy. Third, the Chinese recognize that Hong Kong provides bedrock for business foundation seeking to develop China as a market and as a sourcing partner.

In addition to a sound legal basis, Hong Kong offers the benefit of an established international arbitration system. The benefits of owning a Chinese venture through a Hong Kong holding company is that the proxy gains protections from the vagaries of Chinese law, a necessary buffer if things get nasty and product liability issues arise.

Intellectual Property issues, unlike in mother PRC, are consistently enforceable. For example, if fake products are being transshipped through Hong Kong to or from China, the legal system provides a mechanism to stop and seize the goods at the port.

Taxes! The corporate tax rates are a maximum of 16.5%. Individual taxes cap at 15%. No capital gains taxes, no withholding, no VAT or sales tax, either. No tax on dividends. It’s nice to be a free-market capitalist, unless you’re running the show at Lehman Bros.

Finally, the financial infrastructure (banking) is sound and transparent. Considering **HSBC** (Hong Kong-Shanghai Banking Corporation) is one of **IBEC**’s key sponsors, have a chat with **Jeff Henry**, here with **Leigh Basha** of **Holland+Knight**, another valued IBEC sponsor.



Jeff and Leigh are Bullish on Hong Kong

Finally, the session wraps with **John Simon** of **Crown Relocations**. John's specialization is helping companies and their employees land softly and minimize the thud when becoming expatriates. Some of the considerations to bring to the issue of exporting employees are:

1. Localization (cultural and familiarity)
2. Schooling
3. Navigating the bureaucracy

It is an expensive proposition to place employees in another country. Often, the complications of doing so are left towards the end of the process of establishing a presence in a country. With the significant expense of transitioning someone to start or join an organization in a foreign land, it is critical that the employee is engaged for an extended period of time, not bailing out after a three month stint because the kids' school is not adequate.

John is joined by **Peter Gourlay** of the **Maryland-Asia Environmental Partnership** and **Kim Weir** with **Research on Investment**.



Peter, Kim and John

*Your eyes open and you stare up at the dim bare bulb in the two dollar-a-night room you've booked in Bangkok. You're alone again. The flight to Hong Kong leaves in five hours. The sheets are hot and sweaty and you pull them over your head...All those suits, maybe it was just a bad dream.*

What is shared at a gathering of the **International Business Exchange Council**? Well, one has to read between the lines—just a little.

Mike Violette  
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