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Vision for Fashion 2047:

Establishing a Fashion and Creative District in Sham Shui Po

(Stage II Report)

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with

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Executive Summary

In 2018, the Hong Kong Special Administrative Region (HKSAR) Government made plans to relocate Hong Kong Design Centre to an area near Tung Chau Street and Kweilin Street in Sham Shui Po District. The Design Centre will operate the newly created Design and Fashion Hub, which is anticipated to begin operations in 2024.

In anticipation of this development, a research team led by the Department of Public and International Affairs at City University of Hong Kong has launched a three-stage study to analyze how local community stakeholders, businesses, and public officials should best prepare for the arrival of the Design and Fashion Hub in Sham Shui Po and support the long-term development of fashion and textile industries in Hong Kong.

Based on analyses of policy documents, industrial trends, and case studies of Seoul, New York City, Shanghai, and Miami, and on interviews with different key stakeholders, the research team has produced some preliminary findings, which are presented in this Stage-I research report. In this report, the research team recommends that the HKSAR Government work with various key stakeholders to develop a long-term strategic plan: "*Vision for Fashion 2047*." This strategic plan would establish multi-sectoral collaborative mechanisms and strategies, and would provide long-term financial commitment to support the future development of the fashion and textile industries in Hong Kong. Furthermore, to implement *Vision for Fashion 2047*, this study proposes the establishment of a Fashion and Creative District in Sham Shui Po, with the vision that by 2047, Hong Kong will be a recognized international hub for high-value wearables, sustainable fashion, and various legal and essential supportive services for the fashion and creative industries in China and Asia.

The proposed Fashion and Creative District in Sham Shui Po will serve three primary functions:

- Serve an incubator and a hub for professional and business development related to the textile and fashion industries;
- Stimulate the development of a new fashion retail hotspot as a designated cultural tourism site in Hong Kong;
- Form a hub for new synergies between textile, fashion, other related cultural and creative industries, and the smart manufacturing sector.

Notwithstanding the high-cost environment of Hong Kong. the city's relative strengths in education, research and development, regulatory governance, and capital raising capacity, as well as its geographical location advantages and its long-established reputation in textiles make Hong Kong well-positioned to regain its competitive edge in fashion and textiles by focusing on the following:

- Developing products and designs that use new materials, smart manufacturing, and circular economic logic, and that build market niches in high value-added, sustainable fashion, and functional wearables;

- Emphasizing the importance of design thinking, experiential learning, the use of new technologies, and integration with the Greater Bay Area in human capital building;
- Building greater market information and know-how advantages through better networking, information sharing, and data analytics focusing on the whole value-chain of fashion and textiles;
- Improving product quality and functionality advantages through more advanced manufacturing processes and better collaboration between designers and manufacturers;
- Building up not just local but also regional and international design appeal and brand recognition that focuses on the East-West connection and the unique cultural and human capital strengths of Sham Shui Po and Hong Kong;
- Enhancing the manufacturing process advantages of local firms through new technological applications that are more flexible and responsive to rapidly changing demands;
- Improving data sharing and market intelligence gathering so that local manufacturers can use more timely and accurate data to predict market trends, avoid excessive production, and reduce waste;
- Leveraging the regulatory governance advantages of Hong Kong and the international reputation of Hong Kong merchants to establish Sham Shui Po District as the 2^{nd} hand clothing market hub in the Greater Bay Area;
- Leveraging the locational and regulatory governance advantages of Hong Kong and promoting Hong Kong as a hub for regulatory standard-setting of sustainable fashion in China and Asia.

Based on the experiences of Seoul, Shanghai, and other cities, the execution of the above vision requires a significant long-term commitment and support by the HKSAR government and different sectoral actors. Hence, the proposed Fashion and Creative District in Sham Shui Po should not be viewed as a project that only needs one-time governmental investment. Instead, it should be integrated with the larger economic strategies of the HKSAR, which are to re-ignite the development of cultural and creative industries, further strengthen local tourism, bring back manufacturing, upgrade existing industries, and encourage more sustainable urban development and economic growth.

Based on this vision, this report points out the need to rethink the governance structure of fashion and textile industries in Hong Kong and recommends the creation of a public corporation, the "Fashion & Creative Development Corporation" (FCDC). The FCDC would serve as the executive arm of the Sham Shui Po Fashion and Creative District, coordinate with different stakeholders to further strengthen and execute the action plan of *Vision for Fashion 2047*, and manage different financing mechanisms to sustain the operations of the Fashion and Creative District. To execute this vision, this report concludes by suggesting specific implementation strategies in the short term (within a year), medium term (1-5 years), and long term (6-10 years).

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All errors remain the responsibilities of the research team.

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I. BACKGROUND

A. The Anticipated Arrival of the Hong Kong Design Center in Sham Shui Po District

Hong Kong, a city where the Orient meets the Occident, is globally renowned for its prominent leadership in the global financial sector. However, not too long ago, this global city was also known as one of the "Four Little Asian Dragons" because of its astounding industrial transformation. In the 1970s-1980s, Hong Kong was a manufacturing hub for apparel, toys, watches, and other light industrial products. The booming economy of the 1990s – 2000s, driven primarily by the explosive growth of real estate businesses, financial services, and tourism, then emerged to overshadow the city's industrial past. In this context, empty factories and the conversion of industrial buildings into commercial centers may seem to be an inevitable side-effect of Hong Kong's development path.

However, the story of other global cities shows that the rise of the financial or service sectors is not necessarily the "kiss of death" for manufacturing. For example, New York City, the largest financial center of the world, is also well known as an innovation hub for manufacturing technology and is the home of many advanced manufacturing firms (NYC-EDC, 2022). Los Angeles is also a major manufacturing base in the U.S., even though it is also the home of Hollywood and an attractive global tourist destination (Goddyn, 2021). Boeing, SpaceX, Broadcom, Medtronic, Nike, and Tesla, among other global companies, all have their major offices and manufacturing facilities in the Los Angeles metropolitan area.[1] Berlin, Germany, another high-income leading city, is a production center for textiles, metals, clothing, machinery, chemicals, and electronics (Insider, 2021).

These world-class cities have never abandoned their industrial past. Instead, they have built on past successes by preserving technical know-how, experience, and reputation accumulated over decades, nurturing the next generation of industrial talent, upgrading the workforce's skills continuously, and exploring new markets and consumer needs. They have also invested in new infrastructure and technological breakthroughs, and provided the necessary capital to support innovative entrepreneurship, so that the craftmanship and industrial strengths of the city are retained, upgraded, and transformed to meet the needs of the 21st century.

Could Hong Kong learn from these experiences? Definitely yes!

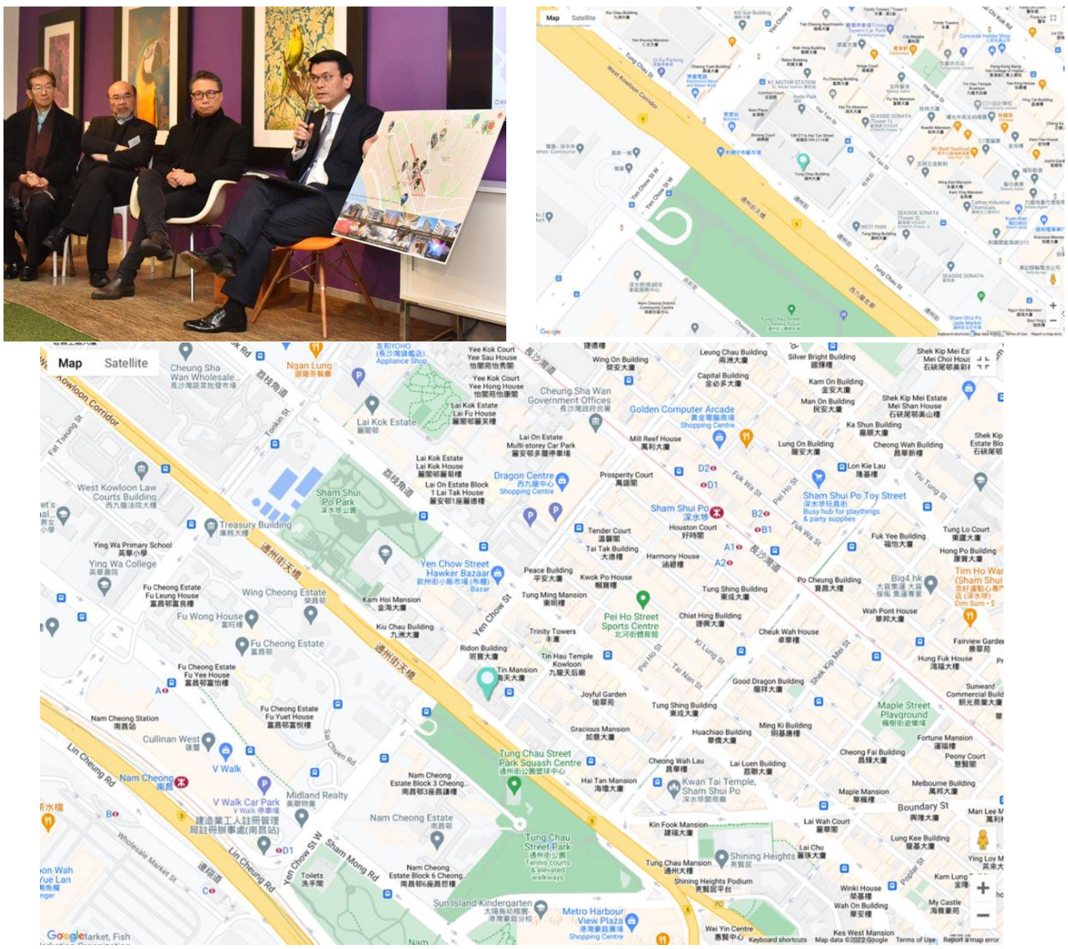
In 2018, the Hong Kong Special Administrative Region (HKSAR) Government made plans to relocate Hong Kong Design Centre (HKDC) to an area near Tung Chau Street and Kweilin Street in Sham Shui Po District (see Figure 1). In this new arrangement, HKDC will operate the newly created "Design and Fashion Hub".[2] The site selection is a natural choice. As the then-Secretary

[1] For a list of major manufacturers in Los Angeles, see https://www.glassdoor.com/Explore/top-manufacturing-companies-los-angeles_IS.4,17_ISEC10015_IL.28,39_IM508.htm

[2] The Government of HKSAR on 9th January 2018 in the Policy Address primarily introduced a plan to "turn the district into a design and fashion landmark by creating synergy through blending and enriching the traditional garment and fabric wholesale and retail hub with design and fashion elements, thereby driving local tourism and boosting the local economy." (https://www.info.gov.hk/gia/general/201801/09/P2018010900447.htm)

for Commerce and Economic Development of the HKSAR, Mr. Edward YAU, remarked, Sham Shui Po District has a long history in fabric and garment trading and is "a popular destination for local fashion and design enthusiasts".[3] Mr. Paul CHAN Mo-Po, Financial Secretary of the HKSAR, also remarked in 2018 that Sham Shui Po District has many revitalized industrial buildings and so the area can provide many new business opportunities for young people. The new energy, creative spirit, and youthful culture of the area should create a win-win situation for the fashion industry.[4]

Figure 1.1 Location of the Anticipated Design and Fashion Hub of Hong Kong



[3] For more detail on the official press release for the establishment of the Design and Fashion Hub, see https://www.news.gov.hk/eng/2018/01/20180109/20180109_155756_331.html

[4] The remarks by Financial Secretary Paul Chan (in Chinese) are as follows: "財政司司長陳茂波今日（17 日）發表網誌，指香港設計中心將跟市建局合作，於深水埗通州街／桂林街的重建項目中，建立新的「設計及時裝基地」，希望能成為培育香港新一代設計師的搖籃。陳茂波認為，工廈活化模式，能為青年創業者提供更多空間，同時也為場地注入與別不同的文化、創意特色，帶來更多的人流，「可說是雙贏的方案。」(Kong, 2018).

B. The Mission and Strategic Positioning of the Proposed Fashion and Creative District

In the current plan, the Design and Fashion Hub of Hong Kong will occupy five floors of a building under construction by the Urban Renewal Authority (URA). When completed in 2023 and starting to operate in 2024, the space will contain a design gallery and space for exhibitions and fashion shows, as well as offices for start-ups and the Hong Kong Design Centre. Also, local design students and young artists will have much needed co-working space to work together, network, and apply their vocational skills to co-create designs and products. Start-ups under the HKDC's Fashion Incubation Program (FIP) and Design Incubation Program (DIP) will be especially welcome to use the Hub to showcase their products and conduct business. The new space will also have a resource center that will house a lot of fashion-related publications and provide databases and fabric samples to serve the research-and-development needs of students and design practitioners. The HKSAR Government hopes that the arrival of the Design and Fashion Hub will transform the area into a fashion landmark and stimulate local retail activities and tourism (Kong, 2018).

At the same time, the textile manufacturing sector has a slightly different expectation of the Design and Fashion Hub. The textile manufacturing sector hopes that besides serving the needs of designers, the future Design and Fashion Hub located in Sham Shui Po District will recognize and embrace its industrial heritage, create new collaborative synergies between textile manufacturers and the designer community, and foster the development of new designs and products that can re-ignite the engine of the textiles industry and as a result, further extend the local, regional, global reach of the Hong Kong fashion industry.

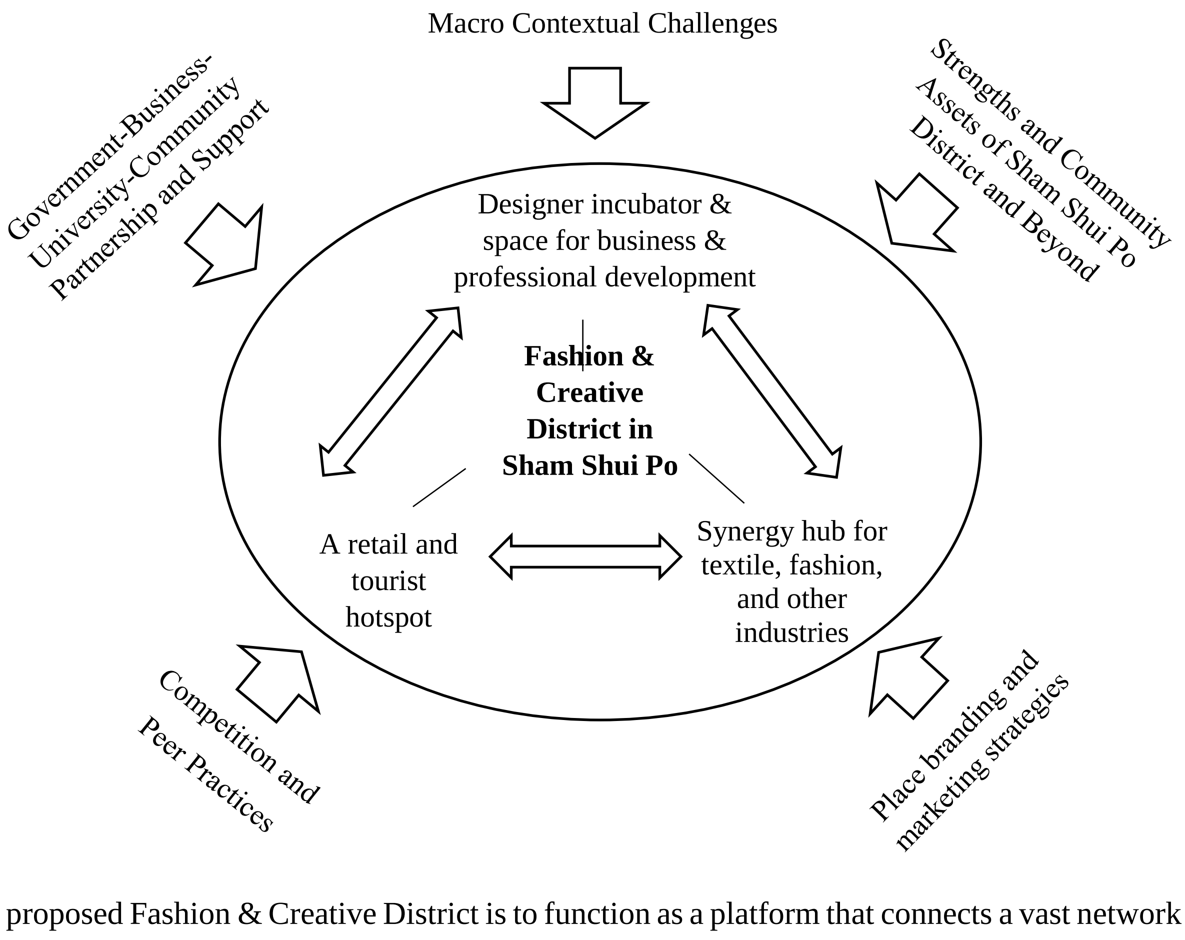
Given the diverse expectations of the HKSAR Government and other stakeholders, the five-floor office of HKDC may not be sufficient to host and organize all of the many activities and events that local communities and business groups anticipate. Also, to regain the competitive advantages of Hong Kong in the fashion and textile industries, Hong Kong needs to take bold action and make a long-term commitment to rebuild its industrial strengths in this area.

Therefore, this report recommends a need for the HKSAR Government and key industrial stakeholders to co-develop a long-term strategic plan, *Vision for Fashion 2047*. Under this strategic plan, multi-sectoral collaboration and policy support will be needed to support the establishment of a proposed "Fashion and Creative District" in Sham Shui Po, with the vision that by 2047, Hong Kong will be a recognized international hub for high-value wearables, sustainable fashion, and legal and other essential supportive services for the fashion and creative industries in China and across Asia (see Figure 1.2). The proposed Fashion and Creative District in Sham Shui Po will serve three primary functions:

- Serve as an incubator and a hub for professional and business development related to the fashion and creative industries in Hong Kong;
- Stimulate the development of a new retail hotspot for fashion and creative arts and a designation of cultural tourism in Hong Kong;
- Form a hub for new synergies between textile, fashion, other related cultural and creative industries, and the smart manufacturing sector.

Although these three primary functions of the proposed Fashion and Creative District are very different, they can be complementary and mutually reinforcing. For example, with the newly created consumer demand for locally designed fashion, there will be more job opportunities and financial capital for local designers, who can use the Hong Kong market to sustain their business and expand regionally and internationally. This may also help attract new talent into the industry, which is essential to sustaining its competitive advantage over time. Moreover, with new talent and market demand, existing companies and new entrepreneurs will be more willing to provide financial capital and invest in new technologies to upgrade the industry. This will also incentivize greater collaboration between the textile and fashion industries, which are currently quite separate in their activities and talent development initiatives.

Figure 1.2 An Analytical Framework to Define the Strategic Positioning of the Proposed Fashion and Creative District



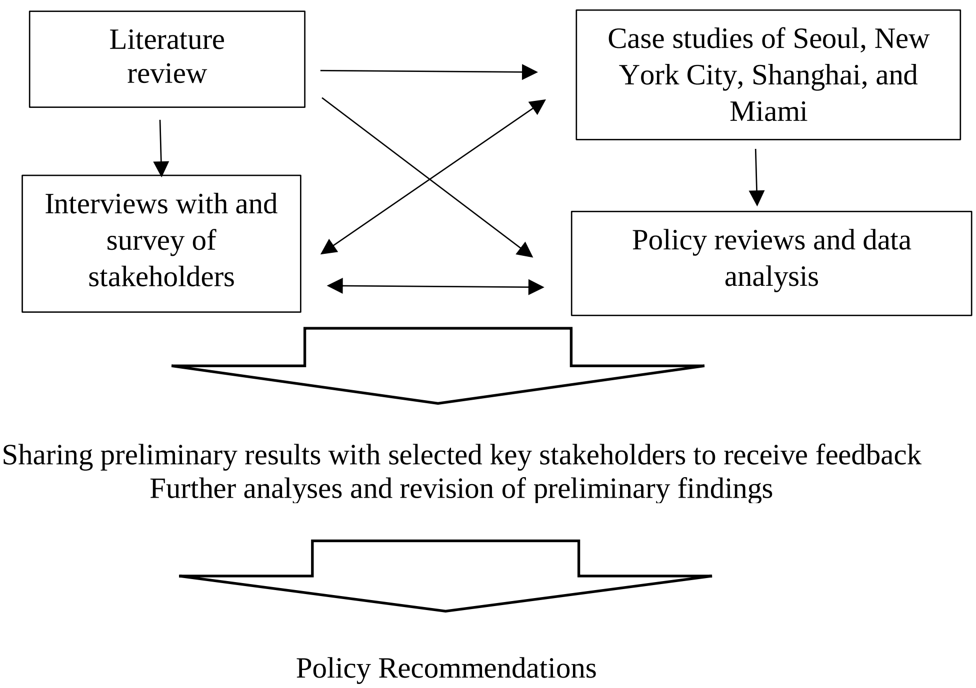
If the proposed Fashion & Creative District is to function as a platform that connects a vast network of designers, manufacturers, suppliers, business buyers, researchers, technology experts, business developers, and even consumers within Hong Kong and beyond, it needs to go beyond the five-floor office of the Design and Fashion Hub operated by HKDC. It is therefore necessary to tap into the resources in the larger community of Sham Shui Po District to create agglomeration effects and radiating impacts.

C. Purpose and Organization of the Study

Given the above understanding, a multidisciplinary research team led by the Department of Public and International Affairs at City University of Hong Kong conducted this study in 2022, with the hope of producing helpful policy recommendations for the fashion and textile industries and other key stakeholders related to the Design and Fashion Hub.

The research team conducted numerous stakeholder interviews, policy and documentary reviews, and case analyses (see Figure 1.3 and Text Box 1 for more details on the methodologies used). In August and November 2022, some of the preliminary findings were also shared with key business and community leaders in two separate meetings to solicit initial feedback and suggestions.

Figure 1.3 Research Design of the Study



Text Box 1.1 Interview and Survey Methodologies

The research team led by Professor Alfred Tat-Kei HO at City University of Hong Kong conducted individual and focus group interviews with representatives of the fashion and textile industries in Hong Kong from May 2022 to September 2022. Thirty interviewees were involved from different sectors, including knitted and crocheted apparel, fur, other wearing apparel, fashion design services (such as fashion consultants, fashion designing, textile designing), and higher education (universities and colleges that provide education and training for the industries). Interviewees from the business sector also came from a wide spectrum of firms, including large and leading firms with more than 250 employees, such as Luen Thai Group, Lawsgroup, Fung Group, Fenix Group, Crystal Group, and Grandion; medium-sized firms with 51 to 250 employees, such as Fullcharm; small entrepreneurs, such as Hong Kong East Wool; and individual designers and proprietors from Sham Shui Po and beyond.

HSIC Code	Industry Class	Number of Interviews
141	Manufacture of wearing apparel (except fur, knitted, and crocheted apparel)	7
142	Manufacture of articles of fur	2
143	Manufacture of knitted and crocheted apparel	2
7513	Fashion design services (including fashion consultants, fashion designing, textile designing)	9
8410	Government administration; economic and social policy	5
853	Universities and colleges providing post-secondary courses	5

The research team also reached out to different organizations that are deeply involved with the industry, including two key players related to the Design and Fashion Hub – the Hong Kong Design Center and the Hong Kong Productivity Council.

In addition, a survey of shop owners and merchants in Sham Shui Po in the areas around Tai Nan Street, Ki Lung Street, Yu Chau Street, Yen Chow Street, and Ap Liu Street, was conducted in May 2023 to examine their receptivity to the idea of creating a Fashion and Creative District. A total of 103 responses were received.

In the following sections, the findings of the study are presented in the following order:

- A macro analysis of the challenges and opportunities faced by the fashion and textile industries in Hong Kong and implications for the Design and Fashion Hub development;
- Case studies of Dongdaemun in Seoul, South Korea; New York City; and Shanghai, which can provide important lessons and helpful insights for Hong Kong;
- A community-asset analysis of the Sham Shui Po District and policy recommendations that may support the proposed Fashion and Creative District;
- Public governance strategies and much-needed collaborative governance to support the future development of the proposed Fashion and Creative District.

II. A Macro Contextual Analysis of the Challenges and Opportunities Faced by the Fashion and Textile Industries in Hong Kong

A. A Brief Historical Review of the Fashion and Textile Industries in Hong Kong

Hong Kong has a long history in the fashion and textile industries and was a global manufacturing center of textile products in the 1970s and 1980s. In the 1950s, benefitting from the good fortune that Hong Kong was not fully destroyed by World War II and saw the influx of industrialists, tailors, and artists from Mainland China to Hong Kong, the fashion and textile industries began to take off. Initially, these industries focused primarily on traditional Chinese clothing, such as traditional Chinese "cheongsam" and embroidery products. However, in the 1960s and 1970s, with the rise of industrialization and the growing influence of western culture and businesses, the fashion and textile industries in Hong Kong began to shift away from traditional Chinese clothing to western clothing. The export-oriented policies at that time further encouraged local firms to focus on overseas markets. Responding to this call, the Hong Kong Trade and Development Council held its first fashion festival in 1970 (Ngai, 2020).

In the business-friendly environment maintained by the British-Hong Kong Government at that time, and with the benefit of relatively low labor costs, an abundant supply of hard-working and skilled labor, and the industrial and managerial experiences of entrepreneurs who came from Shanghai to Hong Kong in the late 1940s and early 1950s, Hong Kong textile and fashion-related manufacturers successfully pursued global trade opportunities in the 1970s and 1980s by manufacturing for western markets.

This led to the rapid expansion of the industries in the 1970s and 1980s (see Table 2.1). For example, the number of textile establishments expanded from 4,578 in 1976 to 5,308 in 1990 and employed more than 100,000 workers annually in the 1970s and 1980s. In the same period, the number of wearing apparel companies (excluding footwear) expanded from 7,946 to 8,139, and the number of leather and leather products businesses grew from 138 to 709. By 1990, more than 204,000 people were employed in factories manufacturing wearing apparel, and more than 3,000 in leather-related manufacturing. The number of footwear-related businesses (excluding rubber, plastic and wooden footwear) also grew rapidly in the 1970s and employed more than 7,000 workers in the mid-1980s.

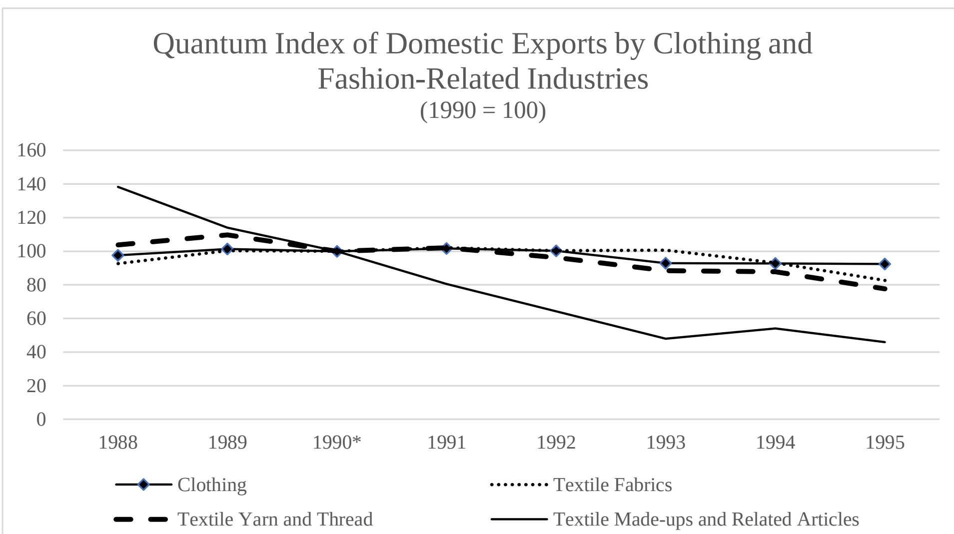
Table 2.1 Historical Analysis of Clothing and Fashion-Related Industries

	No. of Establishments (Persons Engaged) in Textiles	**No. of Establishments (Persons Engaged) in Wearing Apparel, except Footwear**	**No. of Establishments (Persons Engaged) in Leather and Leather Products, except Footwear and Wearing Apparel**	**No. of Establishments (Persons Engaged) in Footwear, except Rubber, Plastic and Wooden Footwear**
1976	4,578 (137,315)	7,946 (244,510)	138 (2,359)	468 (4,976)
1980	5,013 (124,573)	8,991 (255,677)	212 (3,690)	509 (6,629)
1985	4,555 (110,606)	8,559 (264,569)	238 (3,269)	456 (7,513)
1990	5308 (100,353)	8139 (209,499)	709 (6,703)	347 (4,125)
1995	3,223 (58,789)	3,585 (80,222)	189 (1,342)	95 (517)
2000	2,077 (27,489)	1,953 (36,330)	71 (434)	47 (175)

Source: Hong Kong Year Book, various years.

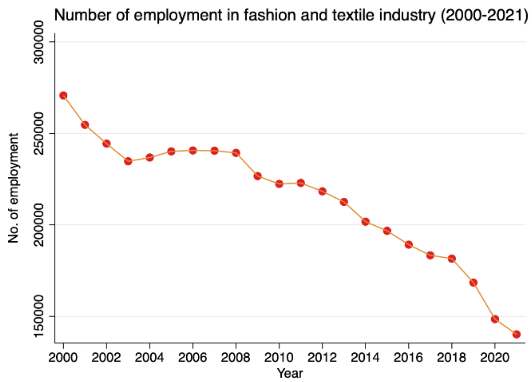
However, the imposition of textiles and clothing import quotas by the U.S., a major clothing market of the world at that time, forced Hong Kong manufacturers to outsource production to other places, such as Mainland China. U.S. buyers also sought alternative suppliers, such as companies in Korea and Taiwan (Trela, 1998). This resulted in the decline of manufacturing and of exports from the Hong Kong clothing and fashion-related industries in the late 1980s and early 1990s (see Figure 2.1).

Figure 2.1



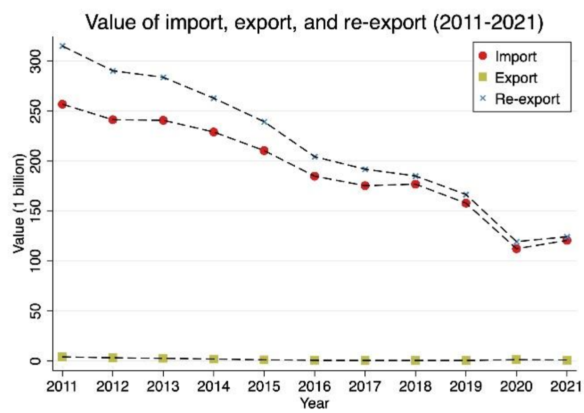
Additional threats to Hong Kong clothing manufacturing emerged in the 1990s when the U.S. decided to change the trade rules and phase out the quota system under the Multi-Fiber Agreement, hoping to increase competition and reduce clothing prices for U.S. consumers (MacDonald, 2006). On January 1, 2005, the World Trade Organization finally terminated the system. After this policy shift, there was no more limit on how many garments a country, such as mainland China or other developing countries with significantly lower labor costs, could export to the U.S. and other developed economies. This policy shift incentivized many apparel buyers to seek manufacturers with the lowest costs. Hong Kong, being a high-income society, immediately lost its competitive edge. To survive this global trade policy shift, many Hong Kong textile companies were forced to move their production lines outside Hong Kong. This led to the decline of local employment in the fashion and textile industries (see Figure 2.2). The value of exports and re-exports from Hong Kong also declined significantly over time (see Figure 2.3).

Figure 2.2



Note: The employment figures include retail, wholesale, and other service sectors related to the fashion and clothing industries, not just the manufacturing sector.

Figure 2.3

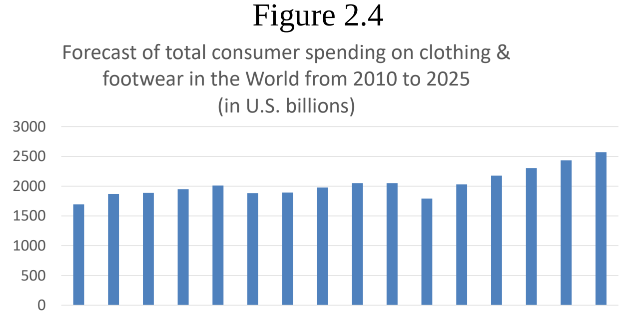


Note: These include both fashion- and textile-related industrial sectors, and so are hence wider than the scope of Figure 2.2. Manufacturing, wholesales, and retail are included (see Appendix III).

B. New Opportunities for the Fashion and Textile Industries in Hong Kong

While there have been many challenges for the clothing industry in Hong Kong, it is important to emphasize that it is not a "sunset" or shrinking sector. In fact, consumer demand for fashion and apparel is expected to rise in the future. According to the Hong Kong Trade Development Council (2022), the number of ready-to-wear garments produced globally increased from 5 billion pieces in 2010 to 10 billion in 2020, and the weight of ready-to-wear apparel purchased worldwide will increase from today's 620 million tonnes to 1.75 billion tonnes by 2050. The global consumption of clothing is also projected to rise from about US$2,000 billion in 2021 to more than US$2,500 billion (see Figure 2.4).

Figure 2.4



Source: Statista

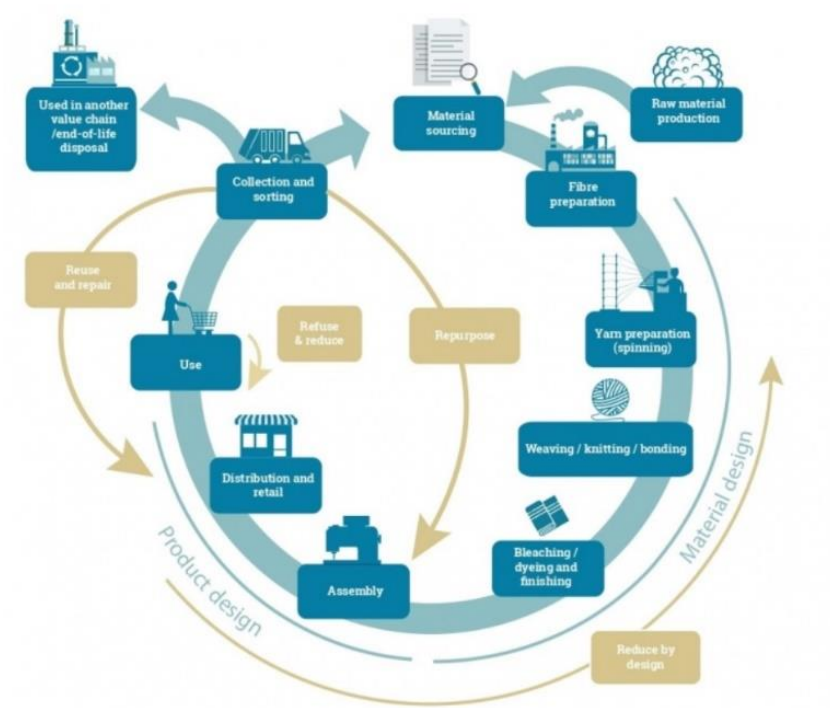
Figure 2.5

Source: Statista

In addition, per-capita consumer spending of clothing and footwear is estimated to increase from about US$270 in 2021 to about US$330 in 2025 (see Figure 2.5). One of the major sources of consumption increase will come from mainland China. The retail clothing market of China is projected to increase from 2,310.8 billion RMB (about US$324 billion) in 2018 to 4,018.8 billion RMB (about US$564 billion) in 2023 (Forward Business Information, 2021).

Furthermore, there is a growing outcry for a paradigm shift in the fashion and textile industries, which may create new opportunities for Hong Kong companies and designers that target the high-value-added market and more sophisticated consumer demand. Due to the rising global awareness of climate change challenges and related humanitarian crises, many consumers as well as international organizations are now advocating sustainable textile manufacturing and fashion products. For example, United Nations Climate Change (2021) issued the "Fashion Industry Charter for Climate Action" in 2021, asking the fashion industry to "embrace a deeper, more systematic change and scale low-carbon solutions". The report also urges fashion industry stakeholders, such as larger buyers and suppliers, to be more proactive "in reducing climate emissions resulting from their operations," and calls on all companies within the fashion, retail, and textile global value chain, regardless of size and geography, "to take actions that will result in a measurable reduction in greenhouse gas emissions" (UN Climate Change, 2021, p. 2). Figure 2.6 is the sustainable and circular textile value chain advocated by United Nations Environment Program for all sectors and fashion-related companies in order to accelerate a global sustainable development transition.

Figure 2.6 Building Sustainability and Circularity in the Textiles Value Chain



Source: UNEP 2022

These developments may create new opportunities for Hong Kong. Instead of rushing to lower unit costs and producing low-quality fast fashion, Hong Kong companies and designers may focus on the growing market demand for sustainable fashion and use more expensive, but less polluting and more sustainable manufacturing processes and materials to produce high-value-added products. In fact, some Hong Kong companies are already providing global leadership in this area (see Textbox 2.1 for more details).

Textbox 2.1. Is Sustainable Fashion a Possible Future for Hong Kong?
by Chun-Wai David MAN

Textile production has long been regarded as a high-polluting industry that is estimated to account for about 20 percent of global clean water pollution, especially in the processes of dyeing and finishing products (European Parliament, 2022). The industry is also responsible for approximately 40 million tonnes of textile waste a year globally, which often ends up in landfills or incinerators (MicKinsey, 2021). Although pollutants produced in apparel production or waste treatment is a sort of externality in the pursuit of economic development that is always invisible and intangible, it brings real harm to public goods, such as air and water quality, and citizen's collective public health. In the long run, it adds social costs to a nation or a community by requiring extra public spending on health care, causing lost productivity or even workforce reductions, as well as loss of well-being, and other social burdens.

The fast-fashion culture that emerged in recent years has also brought another facet to environmental problems. Luckily, in concert with growing concern about environmental conservation world-wide over the last decade (building on the foundation of environmentalism born in the late-19th century), and following the advancement of technology and upgraded techniques, the textile industry is regaining its reputation via various progressive movements. For example, the second-to-none collaborative commitment of the Fashion Pact, an initiative introduced at the 2019 G7 Summit in Biarritz, which highlighted climate change and biodiversity as its pillars, marks a paradigm shift in keeping profit and sustainability compatible by introducing new technologies and techniques in controlling waste management. The pact involves over 60 signatories and 200 brands across 14 countries, accounting for about one-third of the global fashion industry (The Fashion Pact, 2020), and its participants run the gamut from suppliers to producers to distributers.

Currently, a number of Hong Kong companies are already taking steps to make sustainability a top priority and prepare for the possible future of sustainable fashion and textile manufacturing. For example, Fung Group, a major textile conglomerate based in Hong Kong, is the city's bellwether in joining the worldwide Fashion Pact. It is working with its global business partners and various research teams to explore how new technologies may reduce chemical and energy consumption in the manufacturing process. Mr. William Fung, managing director of the company, remarked in Fashion Pact's progress report, "it will really take the full value chain working together to deliver the sustainable transformation we need." (The Fashion Pact, 2020). Crystal Group, another major textile company headquartered in Hong Kong, also takes sustainability seriously. It embarked on sustainability programs as early as in 2010 and is currently co-operating with many eco-friendly partners to make its supply chain and production cycle more environmentally friendly. The company's products are also compliant with the high sustainability standards established and monitored by international authorities, such as the European Union.

Hence, even though local employment in the clothing industry has declined over the past decade, Hong Kong companies have continued to survive the downward trend through flexible strategies, innovative changes, and continuous transformation. While many clothing products are no longer manufactured in Hong Kong today, many products in the global textile market are still made by Hong Kong companies that have global reach. Many global brands also have "Original Equipment Manufacturing" (OEM) agreements with Hong Kong companies that operate factories in various countries. Profits of these operations still benefit Hong Kong directly.

Moreover, many Hong Kong companies have similar "Original Design Manufacturing" agreements (ODM) with foreign brands. As a result, local Hong Kong designers or Hong Kong manufacturers can make minor modifications to the original brand name design, create their own brand names, and sell the newly created products to specific markets and to meet certain market niche needs. Because Hong Kong has had a long history in the fashion and textile industries, many business leaders in Hong Kong understand the consumer needs and tastes of both the western and Asian markets. In addition, Hong Kong manufacturers have deep experience in dealing with clients from diverse backgrounds. It can still play a key role in the global market and work with companies around the world to shape future fashion and textile trends.

Hence, there are still great opportunities for the fashion and textile industries in Hong Kong. The key is whether Hong Kong companies and designers can meet rising, changing market demand effectively, find their niches, and out-compete others to gain global leadership. Even though Hong Kong companies may not have labor cost advantages over companies from developing economies, they can still maintain their competitive advantages through other strategies.

Extending the competitive advantage model developed by Michael Porter (1980, 1998) and applying that in the new knowledge-based, technology-driven economy, several factors are critical today to create competitive advantages:

- Whether a company can gain better, faster market information or hold certain technological advantages that help them out-compete others;
- Whether a company can leverage data and technology to make their production more cost-efficient and responsive to consumer needs and create extra value for clients;
- Whether a company can design products and services to create brand loyalty;
- Whether a company can develop certain patents, know-how, and specialized skills that allow them to create a higher barrier to entry for potential competitors;
- Whether a company can source or gain significant market control of certain factors of production, such as raw materials, machinery, or specialized talent, more cost-effectively, so that they can increase their bargaining power and create a higher barrier to entry;
- Whether a company has a niche market in which there is no easy substitute;

- Whether a company can leverage technologies and adjust the manufacturing process flexibly and smartly to develop the appropriate economies of scale and create cost advantages;
- Whether a company has strong protection for its intellectual and knowledge capital to stay competitive and maintain its unique market position.

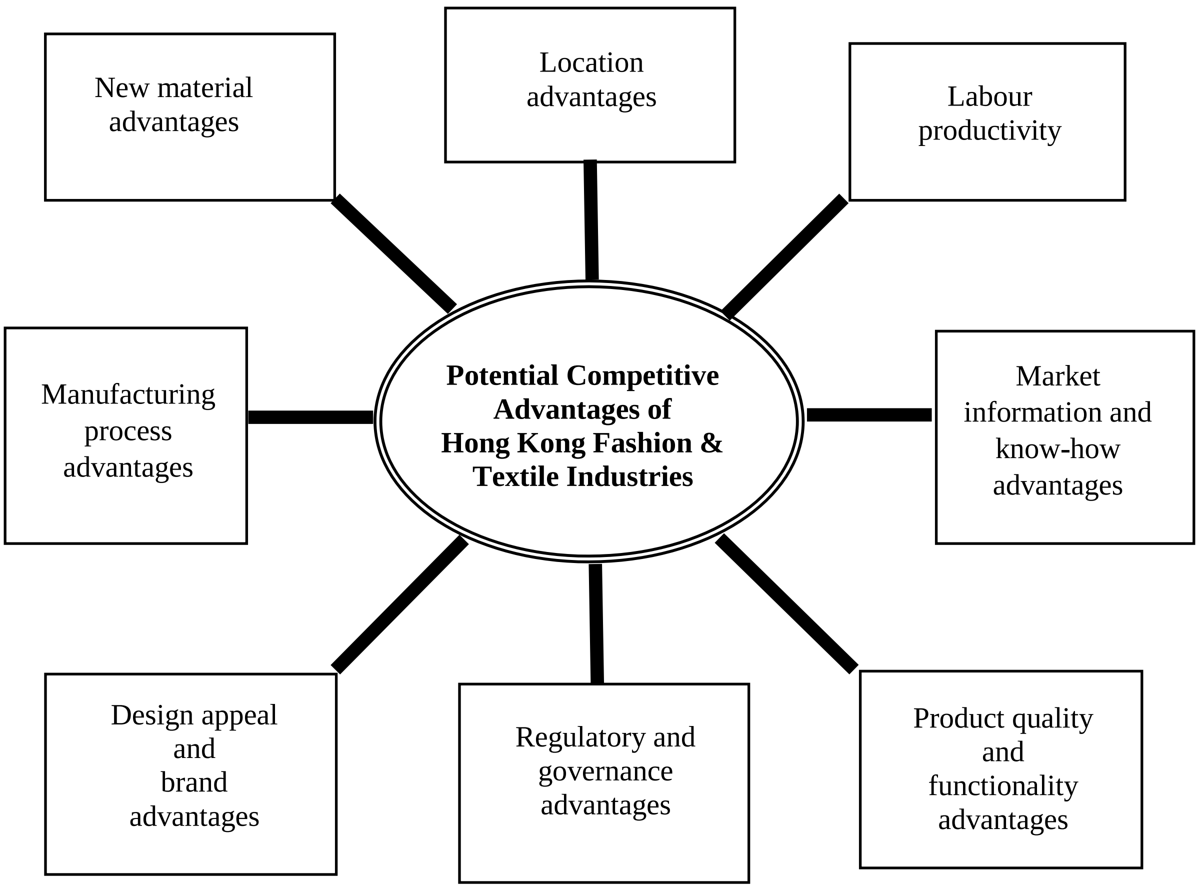
Given this understanding, Hong Kong companies should not try to compete with others on labor costs or low-profit margin products. Instead, they should focus on strategies that create the following competitive advantages (Figure 2.7):

- Advanced material advantages -- Work with researchers and product developers to develop new and advanced materials that are unique, serve a market niche, appeal to specific consumer needs, or create cost advantages over competitors;
- Labor productivity – Work with universities and training institutions, the business community, and professional firms to train the next generation of designers and workers so that they understand market trends and have the necessary skills and know-how to stay productive and competitive;
- Market information and know-how advantages – Foster better flows of information and data among government agencies, networks of producers, the business community, the design community, and consumers to develop better and more time-sensitive market information, and provide better and more current education and training to continuously upgrade the skills of labor and designers in Hong Kong, so that Hong Kong companies can address market needs more responsively and effectively;
- Product quality and functionality advantages -- Work with designers, engineers, and market analysts to design and manufacture products that are more functional and sustainable, demonstrate higher quality, and create value for consumers;
- Design appeal and brand advantages – Work with designers, marketing experts, trade associations, government officials, and the business community in various sectors to design and promote Hong Kong designs and products and to generate brand loyalty locally, nationally, and globally;
- Manufacturing process advantages – Work with researchers, engineers, and the business community locally, regionally and globally to develop new ways of manufacturing so that the production timespan can be shortened, the process can be more energy-efficient and sustainable, responses to market needs can be timely and accurate, and production scale can be flexibly adjusted to meet changing market needs and take advantage of appropriate economies of scale.
- Locational advantages – Leverage human capital and market access in the Greater Bay Area and other major markets in East and Southeast Asia.

- Regulatory and governance advantages – Make use of the legal and regulatory environment that is well-trusted by other governments and international companies and offers good protection of intellectual property and the knowledge capital of local companies and designers.

If the fashion and textile industries in Hong Kong can leverage these advantages, they are more likely to stay competitive, adapt to changing market needs, provide market leadership, reduce the threat of new entrants, and maintain their global appeal and customer base.

Figure 2.7 Potential Competitive Advantages of Hong Kong Fashion and Textile Industries



There are already successful stories in Hong Kong to show that this can be done. Textbox 2.1 already mentions some Hong Kong companies that have successfully leveraged technologies to make their production process more sustainable and have created globally recognizable and highly competitive brand names. Other companies are using technology to find their market niches. For example, Grandion is a local textile manufacturer that has not only survived global price competition but has also expanded its business operations even in the midst of the COVID19 pandemic and the global economic downturn. (Please refer to Textbox 2.2).

There are just a few examples showcasing how the Hong Kong fashion and textile industries can retain their competitive despite high living costs and wages. In the following section, case studies of Dongdaemun in South Korea, New York City, and Shanghai are presented to illustrate how governmental policies, business investment, and public-private partnerships can be leveraged to develop the competitive advantages of these global fashion hubs.

Text Box 2.2 A Case Study of Grandion Industrial and TML
by Tiffany Wing Yin NG

Grandion Industrial Limited was founded in 1996. Before 2015, it primarily operated its business as an Original Equipment Manufacturer (OEM) and an Original Design Manufacturer (ODM) and had offices and operations in both Hong Kong and mainland China. Its products included sweaters, T-shirts, chino pants, other types of causal wears, and windbreakers. In recent years, Grandion has expanded to become an Original Brand Manufacturer (OBM) and collaborates with local and overseas companies, such as Zara, Esprit, Baleno, Bossini, Nike, and Reebok.

One of the reasons for the company's success is its willingness to adapt, invest in technologies, and continuously search for new innovative solutions. For example, in 2003, the outbreak of SARS created a difficult economic situation. In response, Grandion merged with some business partners both horizontally and vertically so that the company had more complete control of its production chain and could introduce new technologies, such as computerized embroidery and other digital tools, to cut costs and improve quality. In 2006, Grandion decided to set up its own design studio and transformed itself from an OEM to also become an ODM and OBM. Instead of continuing the old business model of mass production and being forced to migrate to other countries that had lower labor costs, Grandion looked for ways to consolidate, provide value-added services, and compete through higher quality, better market responsiveness, and greater cost-efficiency in the manufacturing process. As a result of these efforts, Grandion reduced its production cycle from 90 days to 7 days. This allowed the company to address customer needs more responsively, improve the turn-around rate of products, reduce uncertainty for all sides, and improve the company's cash flow.

In 2015, Grandion started a new company called "TML", which stands for "To Make Locally". It was a pioneer response to Industrialization 4.0 and digitalisation. TML attempted to employ local designers, established a green production centre, and introduced digital machines to increase production efficiency. From early design, prototype pattern printing, to the final design selection, the whole process became digitalised. Also, Grandion's production process used environmentally friendly materials, such as biodegradable ink rather than traditional plastisol that consists of non-degradable PVC.

The new business model has allowed TML to not only further improve its production efficiency from seven days to one day, but also to promote B2C personalised production done locally in different locations where it has offices or business partners. Customers can also use a one-stop mobile app or vending machines in different locations to customize their clothing orders and personalize clothing design. This customer-friendly, technology-empowered business model allows TML to deviate from a traditional mass production business model that relies on scale economies and low labor costs to survive. TML and its parent company Grandion have been able to survive many challenges and expand its business In Hong Kong because they are agile, innovative, value-driven, and customer-focused.

III. Lessons from Competitors and Peers: Case Studies of South Korea, New York City and Shanghai

The Role of Industrial Policy

Sustaining industrial superiority and maintaining the vitality of the manufacturing sector are common policy goals of most advanced economies. For example, from President Ronald Reagan's re-industrialization agenda in the 1980s (Lower, 1982), to the latest initiative by the Biden administration to create the "Made in America Office" within the President's Office of Management and Budget to support reindustrialization and secure supply chain resilience (The White House, U.S. Government, 2022), the U.S. has never ceased to use policies to sustain its manufacturing competitiveness. The European Union also has its own industrial policies. From the Lisbon Strategy in 2000 to create the "most competitive and dynamic knowledge-based economy in the world" (European Parliament, 2000), to the 2020 New Industrial Strategy (EU, 2020), European countries strive to stay competitive with the U.S. and Asian countries and have developed many policies to assist their manufacturing sector. These examples show that despite the pressure from rising wages and growing competition from developing economies, many policymakers in advanced economies are interested in ensuring that manufacturing remains a vital segment of their economies through industrial policies (Wade 2012; IMF, 2019).

However, not all industrial policies are effective (Andreoni, 2016; Pack and Saggi, 2006), and not all countries or regions have been able to stay competitive even with strong industrial policies. Every jurisdiction needs to consider the economic and political rationales of industrial policies, its social and economic contexts that influence the appropriate roles of the market and the government, and governmental capacities in the implementation process (Cherif and Hasanov, 2019; Maloney and Nayyar, 2019; Oqubay, 2020).

Among many countries and regions that have successfully leveraged industrial policies to gain competitive advantages in the fashion and textile industries, South Korea is often cited as an example by the media as well as academic researchers (Son, 2014). Also, New York City and Shanghai may provide insightful lessons for Hong Kong since both are major financial centers like Hong Kong and also have high living costs and land prices, and yet, both have successfully nurtured their fashion and clothing industries and have continued to play prominent roles in the market. In the following section, these three cases are presented and analyzed to see what Hong Kong may learn from their experiences.

Case Study: Dongdaemun Fashion Hub in South Korea[5]

For the past two decades, the cultural industry of South Korea has grown rapidly, making South Korea the seventh-largest exporter of popular culture worldwide. According to some estimates, Korea's culture industry, including films, K-pop, K-fashion, and video games, generated USD $114 billion in sales, USD $10.3 billion in exports, and more than 680,000 jobs in 2021 (Wikipedia contributors 2022, July 18).

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[5] Special credit is due to Dr. Andrew Yuen, who is responsible for this case study.

The surge of the Korean fashion and textile industries can be viewed as part of the surge of Korean culture, also known as Hallyu, which was the outcome of a deliberate public policy push. Beginning in the 1990s after the Asian Financial Crisis, the Korean government wanted to minimize reliance on heavy industry and develop self-perpetuating businesses in which profitability was ensured. To turn Hallyu into a popular product that could transcend nations, the Blue House started encouraging big corporate conglomerates and technology companies to invest in the culture space. Fashion, along with games and broadcasting, have been designated within the 9 key content production genres by the Korea Creative Content Agency (KOCCA) since 2009. According to the Korea National Image Report 2020 (Korean Culture and Information Service, 2020), K-Fashion placed 9th in foreigners' awareness towards South Korea by field, with over one-third of respondents being interested in K-fashion, beauty and buying Korean goods.

A strategic move to achieve this successful outcome was the establishment of the Dongdaemun Design Plaza as an international fashion hub and organization of hallmark events like Seoul Fashion Week. The Dongdaemun area is the biggest fashion cluster in South Korea with integrated planning, production and distribution capabilities. It not only houses one-third of Seoul's clothing manufacturing businesses, but is also home to 32 shopping malls and 35,000 specialty shops (Trend Lab 506, 2019), making it the largest wholesale and retail shopping district in the nation by far. The district generates annual exports of $3 billion won and sales of $15 trillion won (Seoul Design Foundation, 2020), accounting for 17 percent and 21 percent of Korea's total textiles and fashion sales. (See Appendix I for more details of the Dongdaemun development.)

Table 3.1: Distribution of Retail and Wholesale Stores in the Dongdaemun Fashion Hub

Type	No. of malls	No. of stores	Main items	Businesses
Traditional markets	19	12,500	Clothes, fabrics, shoes, bags, accessories, leather, subsidiary materials	Pyeonghwa Market, Donghwa Market, Gwanghee Fashion Mall, Tongil Shopping Mall, Jeil Pyeonghwa Market, Cheong Pyeonghwa Market
New wholesale shopping malls	13	7,000	Clothes, accessories	Golden Town, Team 204, Designer Club, Elysium, Oleo W, apM, Techno, Yours, Diot
Complex shopping malls	8	15,000	Clothes, Entertainment, Residential and commercial complex	Migliore, Doota, Hello apM, Good Morning City, Lotte Fitin, Hyundai City Outlet, apMPlace
Underground fashion streets	1	300	Sports related goods	/
Total	32	35,000	/	/

The success of Dongdaemun can be attributed to the following factors:

- From the very beginning, Dongdaemun received significant investment and other support from the Korean national government, the Seoul metropolitan government, the business sector, and various professional bodies and authorities of the fashion and textile industries. It was also included in the national strategic policy action plan.
- Dongdaemun provides ample physical space for designers and start-up companies. Depending on different criteria and needs, a selected company may receive creative space in the Dongdaemun Design Plaza ranging from 7.5 square metres to 28 square metres.
- Dongdaemun provides a lot of technical and infrastructural support for young designers and start-up companies. For example, it hosts DDP Dream Lab on the 4th floor of the Dongdaemun Fashion Mall. The lab provides sewing equipment and working space for designers and fashion enthusiasts. The space can also be borrowed for holding workshops, exhibitions, university clubs or local community activities. Cameras can be used free of charge at the lab. The lab also hosts the Intellectual Property Rights Protection Centre, which was set up to prevent individual and inter-company disputes related to trademark rights and counterfeit goods. The Dongdaemun Fashion Library also provides important informational support for designers. Managed by the Seoul Design Foundation, the library has a vast collection of over 16,000 fashion-related books and magazines, as well as dissertations and dictionaries sourced domestically and from overseas.
- Dongdaemun is very good at organizing high-profile events that help nurture young designers and raise their national and international profile. For example, it hosts the K-Fashion Audition for the Korean Fashion Awards, which has become an important event to build "new and promising" brands for Korean young designers and start-up companies (see Textbox 3.1 for more details). It also hosts the high-profile Seoul Fashion Week and Trade Show (SFW), which is a globally recognized fashion business event (see Textbox 3.2 for more details).
- Because of strong public and private support, Dongdaemun is able to provide significant financial capital to help young designers and new companies to excel when they are located in Dongdaemun Fashion Hub. For example, the winners of the K-Fashion Audition usually receive a lot of marketing and publicity support to help build their brand recognition and popularity. Successful companies also receive financial subsidies and support to participate in overseas fashion shows and competition. For example, the Small Manufacturers Prototyping Support Project could receive subsidies from Seoul Business Agency (SBA) amounting to as much as 80 percent of their required business capital, along with 5 million won for prototyping production and promotional material costs.
- Dongdaemun supports a lot of business networking and Business-to-Business (B2B) functions. For example, it hosts the Hi Seoul Showroom, which is a B2B fashion distribution platform that displays samples and products, and conducts sales through consultation. Hi Seoul Showroom strives to help small local businesses expand their sales channels overseas. Occupying two floors in the Dongdaemun Design Plaza, the first floor is the brand exhibition and buyer consultation area. The basement floor, which is twice as big, showcases new seasonal and featured products. Every year, the showroom signs exclusive contracts with around 110 companies to provide both offline and online support.

Textbox 3.1 The K-Fashion Audition
by Andrew YUEN

Co-hosted by the Korea Fashion Industry Association and the Korean Ministry of Trade, Industry and Energy, and supported by the Korea Textile Industry Association, the K-Fashion Audition for Korea Fashion Awards was held to recognise budding designers and foster "new and promising" brands to strengthen global competitiveness of the domestic fashion market. There are two divisions open for application: Regular Designers and Students. Applicants should be brand owners or aspiring founders. Korean nationality is required for the former, while Korean students from all disciplines are qualified to apply for the latter, provided they are interested in fashion or design. Students are also permitted to apply on an individual or a duo basis, and all Audition applicants are simultaneously enrolled into the Trend Fair. Each awardee must pass 5 rounds of interviews to become one of the Top 10 brands. The judging panel consists of experienced designers, renowned distributors, stylists and also consumer groups. In-depth evaluation of the brand's concept, story, and commercial competitiveness, as well as the designer's creativity and online/offline communication skills, is completed within the course of 6 months (K-Fashion Audition & Trend Fair Website, n.d.).

Rounds	Regular Designers	Students
1st	**Paper Screening** - Quantitative: Trademark registration at home and abroad, domestic/export sales performance, participation in fashion events - Qualitative: Business plan, design (creativity), product quality, business capability and growth potential	**Portfolio / Lookbook evaluation (5 works)** - Design and creativity - Structure of the collection - Commercialization potential
2nd	**Interview and Video Evaluation** - Brand concept, creative identity, communication with consumers, product commercialization, growth potential	**Interview** - Brand concept, creative identity, communication with consumers, product commercialization, growth potential
3rd	**Online Public Voting** Products of participating brands are exhibited on e-commerce distribution platforms, and the public can vote for their preferred brand. Additional points are given when sales occur.	
4th	**Trend Fair Booth Evaluation** Brand concept, creative identity, communication with consumers, growth potential, sales performance and buyer preference	
5th	**Public voting and Expert evaluation** Final rankings of the TOP 10 Brands are decided by public voting after a 3D virtual clothing fashion show and expert screening	

Ultimately, the 10 brand awardees are automatically admitted to the K-Fashion Audition Winner (TOP 10) Support Program and receive business vouchers amounting to 100 million won in total. The vouchers can be used to claim expenses for digital transformation, content creation, overseas expansion, prototype production and marketing etc. Aside from the Top 10 winners, some brands are also enrolled into the Excellent Brand Support Program to stimulate their further growth.

Textbox 3.2 Seoul Fashion Week and Trade Show (SFW)
By Andrew YUEN

Organised by the Seoul Design Foundation, this global fashion business event is held twice a year with the aim of becoming one of the world's top five fashion weeks after New York, Paris, London and Milan. SFW is further divided into two events: Seoul Collection and Generation Next (GN). The former is a series of fashion shows showcasing work from top Korean designers. Seoul Collection is also South Korea’s largest and most distinguished collection since 2000. Generation Next is a collection dedicated to up-and-coming designers that serves as a gateway for next-generation independent fashion brands to establish their presence in the market. During the week, GN designers would be presented with opportunities to hold mini fashion shows and match up with overseas buyers.

Regarding application eligibility and evaluation criteria, all applicants for Seoul Fashion Week have to be independent brands in operation for more than a year. For Generation Next, the maximum allowance for the operation period is 7 years. Both qualitative and quantitative aspects of the brands are assessed comprehensively. The detailed rubrics are recorded as follows (Trend Lab 506, 2019):

Criteria	Seoul Collection	Generation Next
Qualitative	Proportion: 70% Global competitiveness, merchantability, profitability	Proportion: 80% Creativity, global competitiveness, merchantability, growth potential
Quantitative	Proportion: 30% Sales performance (10%) + Export performance (10%) + PR performance (10%)	Proportion: 20% Sales performance (5%) + Export performance (5%) + PR performance (10%)

A total of 40 designers are selected for the Seoul Collection, and around 100 booths as well as 15 fashion shows are held for Generation Next members. Furthermore, SWF provides support benefits for outstanding participants throughout the week. The Best Designer selected from the Seoul Collection and Generation Next projects respectively is exempted from participation fees and awarded with a cash prize. Overseas buyers can also vote for brands to enter Seoul's 10 Souls Scheme, in which 10 selected candidates are granted financial assistance to exhibit their work overseas. SFW is widely considered to be a great chance for Korean designers to gain exposure and venture into the foreign fashion market.

- The government pours in significant resources to help Korean companies do brand building and recognition. For example, the Ministry of Trade, Industry and Energy and the Korea Fashion Industry Association collaborate and host the “Trend Fair” at the Dongdaemun Fashion Hub, which is a two-day domestic order-taking exhibition to develop business channels for local fashion brands. It helps local companies develop new markets, research the latest information, and establish industry networks. Buyers from online/offline retailers and officials from fashion companies are invited to connect with new entrants at the event. Exhibiting brands must be enrolled in the K-Fashion Audition in order to be admitted into the Trend Fair, and B2B support is also provided to participating firms.

- The Fashion Hub fosters international collaboration, bringing in globally famous designers to host workshops and participate in events, and connecting local designers with the global networks of world-class designers and companies.
- Given the COVID-19 pandemic, Dongdaemun Fashion Hub has been organizing both online and offline events. For example, the Fashion KODE is a fashion culture market held semi-annually to introduce potential buyers both offline and online.
- Finally, Dongdaemun has a lot of historical appeal to local and international visitors. It has a rich history and heritage that can be traced back from the early Joseon dynasty through the Japanese colonial period. The area is home to numerous historical sites and remains, including the Fortress Wall of Seoul, along with the Hadogamteo Site (a military training site) and Yeomchocheong (a gunpowder armory). In 1925, the Gyeongseong Sports Complex, later known as the Dongdaemun Sport Complex, was built in the area. It was the first modern sports facility for athletics, baseball, tennis, and swimming in South Korea (Seoul Solution, 2017). The Complex has also hosted the Asian Games, Korea's National Sports Festival, and opening ceremonies of domestic professional soccer and baseball games. Apart from this historical architecture, the Dongdaemun area's commercial influence also goes back centuries, dating to the late Joseon Dynasty (1392-1897). In 1905, the Gwangjang Market was formed, and in the 1960s, sewing factories were built around Pyeonghwa Market. Hence, Dongdaemun has long been a centrepiece of South Korea's clothing industry and a popular tourist destination.

Case Study: New York City[6]

Even though New York City is well known for its financial industry, it has also been a world-renowned fashion hub for decades. Many famous brands, such as Ralph Lauren, Marc Jacobs, Tiffany & Co., Calvin Klein, and Tommy Hilfiger, are headquartered in the city (see Textbox 3.3). Also, many fashion-related supporting agencies, such as Vogue, Harper's Bazaar, and Women's Wear Daily, are located in the city.

Unlike Seoul, there is not a centralized large-scale facility that contains a lot of retail shops, design studios, and business operations. Instead, the fashion and textile industries are scattered across different parts of New York City (see Figure 3.1 for more details):

- The apparel industry in New York City remains concentrated in the Garment District, which is bordered by 40th Street on the north side, 34th Street on the south side, Fifth Avenue on the east side, and Ninth Avenue on the west side. Even though Manhattan is well-known for Wall Street and the financial industry, this four by six-block area in Manhattan remains a concentrated place for fashion industry activities and contributes significantly to the New York City economy.
- SoHo, short for "South of Houston", is the grid of streets that lies between Houston and Canal streets and is roughly between Sixth Avenue and Lafayette Street. This area contains many retail stores for independent fashion designers, designer boutiques, fancy chain stores, art galleries, and luxurious residence (Koskinen, 2009). Because a number of museums are

[6] Special credits should go to Dr. Wanyang HU who is responsible for this case study.

located in or near the area and there are many other interesting attractions, such as the Antique Flea Market, SoHo is also a tourist destination and is a popular place for weekend visits and shopping (Dunford and Holland, 2002).

- TriBeCa (Try-beck-a) is a wholesale garment district, with mixed development that contains commercial establishments, loft residences, design studios, art galleries, and chic eateries.
- Nolita, which is east of Broadway and south of Houston, contains many independent designer boutiques, coffeehouses, hip accessory shops, and über-trendy stores, bars and restaurants.
- Many fashion model agencies are also located in SoHo, TriBeCa, and the Flatiron District (Burdan, E, 2016; Dunford and Holland, 2002; Entwistle, 2002).

Textbox 3.3 Major Brands Headquartered in New York City

A. Fashion/ luxury:

Ralph Lauren
Founded: 1967
Corporate Headquarters: 650 Madison Avenue

Marc Jacobs
Founded: 1967
Corporate Headquarters: 72 Spring Street Fl 9

Michael Kors
Founded:1981
Corporate Headquarters: 11 West 42nd Street

Todd Oldham
Founded: 1989
Corporate Headquarters: 20 Vesey Street

Theory
Founded: 1997
Corporate Headquarters: 38 Gansevoort Street

B. Accessories/Shoes/Bags:

COACH
Founded: 1941
Corporate Headquarters: 10 Hudson Yards

Tiffany & Co.
Founded: 1837
Corporate Headquarters: 727 Fifth Avenue

C. Street/Sports:

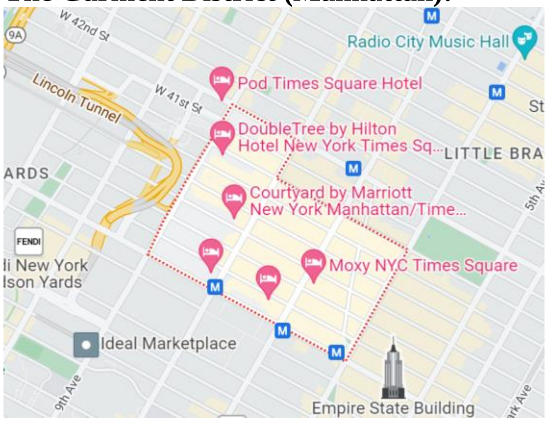
Supreme
Founded: 1994
Corporate Headquarters: 274 Lafayette Street

Calvin Klein
Founded: 1968
Corporate Headquarters: 200 Madison Avenue

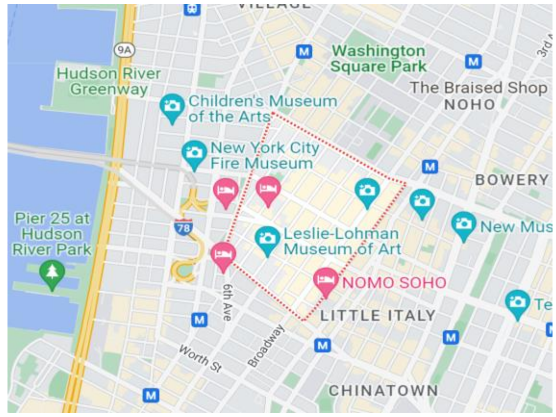
Tommy Hilfiger
Founded: 1985
Corporate Headquarters: 601 West 26th Street

Figure 3.1 Major Areas for Fashion Industry Activities in New York City

The Garment District (Manhattan):



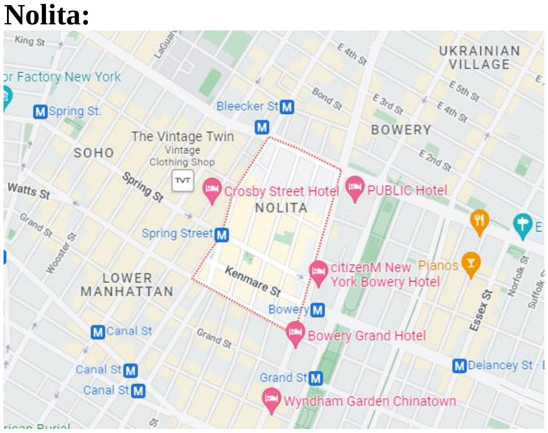
SoHo:



TriBeCa:

The Flatiron District:

Nolita:



The fashion industry contributes significantly to the economy of New York City and provides jobs to around five percent of the city's private sector workforce (Duke Global Value Chains Center, 2017). Several factors contribute to its success:

- Like Dongdaemun in South Korea, the fashion industry in New York City is well supported financially. The city government provides significant financial support, grants, fashion certifications and business services to the fashion start-up business. Also, multisourced funding programs have been launched to give young fashionistas a leg up, including private investment, and public and non-profit funding (Cohen, 2015). For some examples of public support programs, see Textbox 3.4.

- New York City is very successful in finding its relative competitive advantages. Like Dongdaemun in Seoul, New York City does not focus on manufacturing and does not have a huge presence of factories or manufacturing facilities. The city primarily hosts the high-value-added sectors of the fashion industry while most apparel products are manufactured overseas.
- New York City puts great emphasis on human capital and has been very successful in attracting top talent from different parts of the world. Many of the design positions in New York require specialized education qualifications, training, and experience (Maloney, 2019). In addition, the pay of fashion designers in the city is the highest in the world and is comparable with the salaries of other sectors, with an average annual salary of $78,870 (Maloney, 2019). This helps attract and retain the best talent in the city (Maloney, 2019). New York City also boasts a cluster of many fashion design schools. In addition to the three leading fashion schools – the Fashion Institute of Technology (FIT), Parsons School of Design, and the Pratt Institute -- the city has many specialized schools. For example, the LIM College focuses on the business aspects of the fashion industry, such as marketing, merchandising and global supply chains. Combined, these institutions educate over 20,000 students each year (Maloney, 2019). These educational facilities provide new talent to the city every year and sustain the vitality of the industry.
- Like the successful example of Dongdaemun in South Korea, New York City leverages the success and talents of other cultural industries, such as the motion picture and video industries (Maloney, 2019). It is also the national and international centre of media, marketing, and advertising agencies, which certainly help the branding and marketing of fashion companies located in the city.
- The city's cultural and ethnic diversity is another major asset. New York City is a melting port of many cultures and ethnicities. It is also a popular place for new immigrants. As a result, the fashion industry can receive a lot of new influx of ideas and benefit from cross-cultural exchanges. The presence of the music and movie industries in the city, which also embrace cultural diversity, further reinforces this competitive advantage and allows designers to express and showcase their creative products through different venues and media and publicize them in various global networks.
- Like Dongdaemun, New York City's success is the product of public-private-community partnership. New York City works closely with professional and business organizations to organize different events and activities. For example, the Council of Fashion Designers of America (CFDA) helped the city launch a program called IMPACT. It provides a talent directory and a job searching platform in which full-time jobs, part-time jobs, internships, and freelance opportunities in the fashion and creative industries are posted. It also relies a lot on business organizations and professional associations to organize many fashion events and contests.
- Because of high land prices and labor costs, New York City focuses a lot on the high-value-added service sectors of the entire apparel supply chain, such as research and

development (R&D), design, marketing, and business logistics support (Duke Global Value Chains Center, 2017). Also, because of the high concentration of lawyers and the strong presence of other media industries, the fashion industry can reap some spillover effects from those industries and provide strong intellectual property protection services to designers.

- Like Dongdaemun, New York City leverages its historical and commercial significance and successfully attracts many local and international visitors to support the retail market every year. New York City also has many retail shops (Duke Global Value Chains Center, 2017), which provides an important ecosystem for young designers and new design firms to survive financially.

Textbox 3.4. Examples of Public Support Programs for the Fashion Industry in New York City

- NYC Fashion Production Fund: In partnership with Capital Business Credit, this fund provides subsidized loans with flexible terms to emerging designers to help them with production and procurement. Loans are awarded in a range between US$50,000 and US$300,000, with terms of 30-120 days (Fung, et al. 2021). To date, over US$2.5 million has been awarded through 32 loans.

- Fashion Manufacturing Initiative: In partnership with the Council of Fashion Designers of America, the Fashion Manufacturing Initiative is a US$6 million public-private partnership that awards grants to local fashion production companies so that they can purchase innovative machinery, make technology and capital upgrades, offer employees skills training, and cover the costs of relocating within NYC. To date, nearly US$2 million has been awarded to NYC's best fashion factories.

- Made in NY Fashion Certification: The fashion certification gives qualifying businesses exclusive use of the distinguished "Made in NY" seal. Using this brand is another tool to generate visibility, cachet, and demand for their products.

- NYC Business Acceleration: The City of New York helps food and beverage, industrial and retail businesses open or expand more easily and faster, and operate more smoothly and with fewer challenges. NYC Business Acceleration provides a variety of services to help business including free client management, plan reviews, consultations with inspectors and inspections from City agencies including Buildings, Fire, Health and Mental Hygiene, Environmental Protection, and Consumer Affairs.

- The New York Fashion Week Small Business Grant was first launched by IMG, a company specializing in sports, events, media and fashion, in September 2021 to support the post-pandemic revitalization of New York Fashion Week.

Source: NYC website (2022)

Case Study: Shanghai

Shanghai is a national leader of the fashion and textile industries of China because of its history, location, and continuous development and investment. For centuries, these industries were located primarily in Suzhou, a historical city close to Shanghai. Suzhou was famous for its national leadership in spinning, silk production, weaving, knitting, and button design and production for almost a thousand years and it was the silk center established by the national government of the Yuan Dynasty (1271-1387AD). By the time of the Qing Dynasty (1633-1911 AD), the Suzhou Weaving Bureau had even been established specifically in order to purchase daily necessities for the royal family.

At the end of the 19th century, China was forced to open to western powers, and the British Concession was set up in Shanghai in 1845 as a result of the First Opium War and the signing of the Treaty of Nanjing. Because Shanghai has access to deep-water ports and was controlled by the British and American powers, it began to overtake Suzhou as the major trading spot between the Yangtze Delta and the rest of the world. Clothing manufacturing, design, and trade began to shift from Suzhou to Shanghai in the 20th Century with the talent and know-how Shanghai inherited from Suzhou in the clothing industries, Shanghai's own growth in banking, trade, and international business development as a result of western occupation, the British Concession's interesting mix of eastern and western cultures, and the arrival of western machinery and technology. New designs for women's clothing, such as the modern version of *qipao*, innovative manufacturing and weaving technologies, and new textile conglomerates were all developed in Shanghai.

These industries continued to develop and Shanghai has gradually become the clothing center of modern China. Today, the major activities of the industry are located in different parts of the city (see Figure 3.2):

- The Shanghai International Fashion Center is located in Yangpu District and hosts many apparel, accessory, and shoe stores. It also has a fashion showroom and is the home of the Shanghai Fashion Culture Festival and Shanghai Fashion Week.
- Changle Road and Fumin Road area hosts many novel boutiques, stores with contemporary art, accessories, and restaurants. It is also a popular hub for young designers.
- The M50 Art Space and M50 Creative Garden**:** M50, which was transformed from an old textile manufacturing site, is the home of art studios, cultural and art institutions, and design enterprises in the inner city of Shanghai. It also hosts many art exhibitions and fashion events, including the M50 art season series activities and M50 annual creative cutting-edge selection activities. The M50 Creative Garden is part of the Suzhou Creek Redevelopment Project, which aims at leveraging the historical and cultural assets of the area and turning the area into an entertainment and commercial center.
- Various manufacturing facilities in different parts of the city.

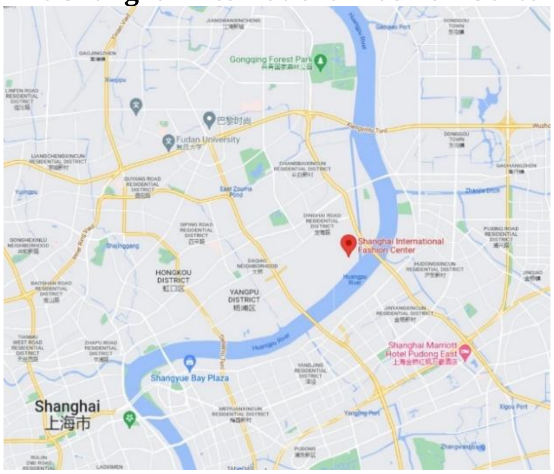
However, in recent decades, the clothing industries in Shanghai has also faced a lot of pressure to change. Facing competition from low-income countries and from the rise of Korean cultural industries and fashion-related products, the traditional textile manufacturing sector began to decline and fade out. However, these industries took a new route and have become more service-oriented, focusing more on fashion, retail, and trade. Also, Shanghai is very aggressive in using new technologies to support the transformation of the industries. As a result, Shanghai has been quite successful in revitalizing its textile industry and continues to rival New York City, Paris, and Milan as one of the global centers of fashion. (For more details, see Appendix II.)

The successful transformation of the fashion and textile industries in Shanghai can be attributed to the following factors:

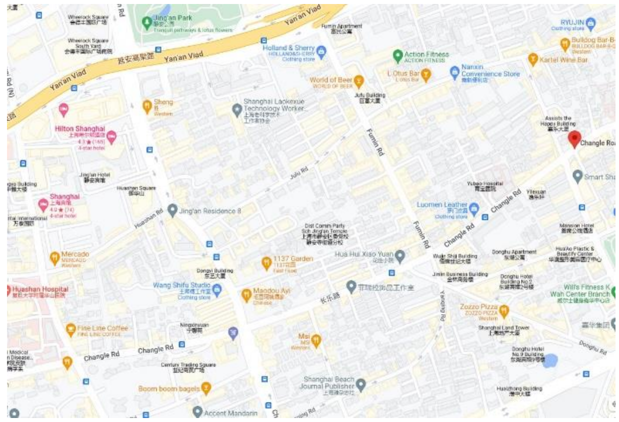
- Success in leveraging the historical and cultural heritage of the industry and leveraging other industrial sectors, such as education, finance, marketing, and trade, to help the clothing industry shift from manufacturing to design and retail;
- Strong government leadership and support with a determined vision to retain and sustain the leadership of industry in the world;
- Building strong connections with other global fashion centers and building a global brand for Shanghai as one of the key hubs of fashion shows and events annually;
- Frequent organizing of events, exhibitions, and workshops for local and international designers throughout the year in different locations of the city;
- Development of the combined strength of design and retail to sustain the business of local firms;
- Leveraging the advantages of a large local market in Shanghai and the surrounding Jiangsu Province to provide an essential consumer base and capital for the continual transformation of the industries;
- Leveraging the advantages of the large industrial base in the Yangtze River Delta area and the significant manufacturing base in the inner part of mainland China, which has relatively lower labor and production costs, to form a comprehensive value chain that covers fabric research and development, material production and supplies, fashion design, smart manufacturing, wholesale, retail, and international trade.
- Aggressive pursuit of international collaboration in research and development to sustain competitive advantages in product quality, design, and market niche development, rather than competing on cost.

Figure 3.2 Major Activity Centers of the Fashion and Textile Industries in Shanghai

The Shanghai International Fashion Center



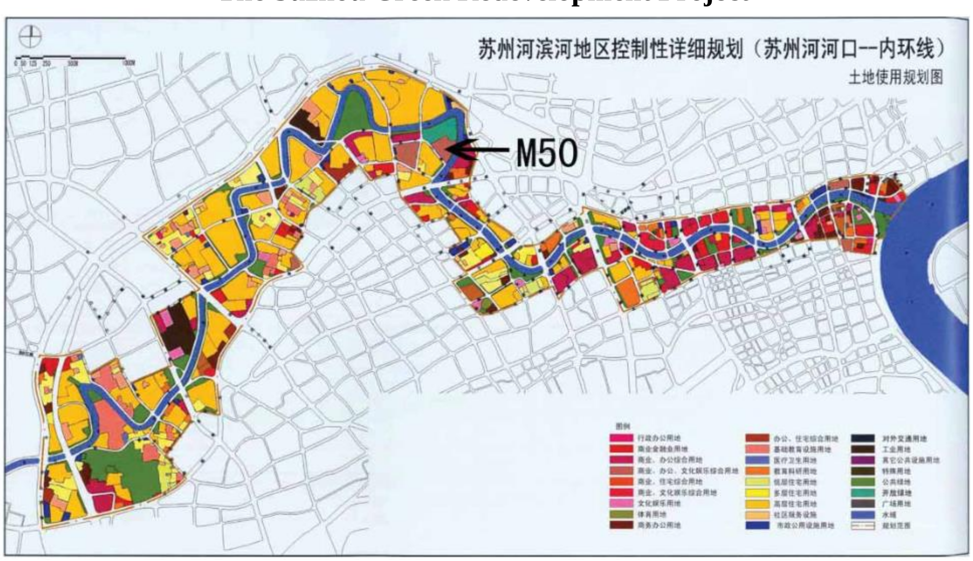
Changle Road and Fumin Road Area



M50 Creative Space and Garden

Scattered Textile Manufacturers

The Suzhou Creek Redevelopment Project



IV. Policy Recommendations

Based on the above case studies and our interview results with local industry stakeholders, professional organizations, research organizations, and the Sham Shui Po community, a few key lessons and recommendations can be drawn.

Establishment of a Fashion and Creative District in Sham Shui Po

As witnessed in the development of Dongdaemun, strategic development to establish a Fashion and Creative District in Sham Shui Po will need a lot of space, not only for designers and their studios, but also for business services and support, retail, exhibitions, regular fashion shows, and events. This is not to mention the need for informational and data support, marketing and branding analysis and support, and research and development.

Also, as shown in the experience of New York City, Miami, and other cities and as indicated in various interviews with business and community stakeholders, the survival of local designers and start-up companies relies on retail income, and so the viability of a fashion district is significantly connected with restaurant, retail, tourist, and cultural development. Clearly, the five-floor office of the Hong Kong Design and Fashion Hub located in the future Hong Kong Design Centre is far from sufficient to support all of these.

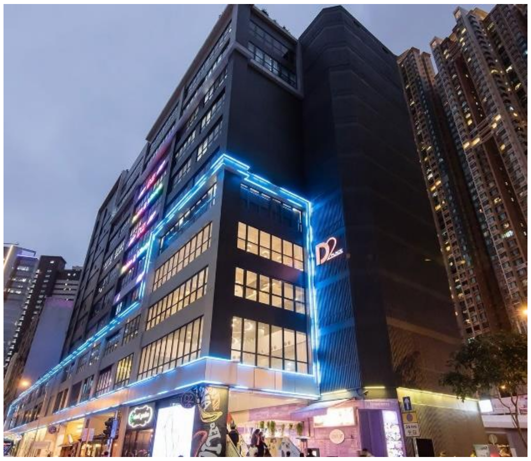
Hence, Hong Kong should model itself after Shanghai, New York City and many other cities and develop a "Fashion and Creative District" in Sham Shui Po. This will allow the fashion industry to leverage various local assets in Sham Shui Po to support the clustering of business and cultural activities that promote design and fashion (see Figure 4.1). For example:

- Tai Nan Street, Yu Chau Street, and nearby areas would be interesting places to host street festivals and local designer events, including the Hong Kong Denim Festival that successfully attracted many visitors before the COVID-19 pandemic (https://www.hkdenimfestival.com/).
- D2 Place in Lai Chi Kok hosts the headquarters of the Fashion Farm Foundation. It also hosts "Weekend Markets" through which many local designers and young entrepreneurs can sell their products. It also provides additional space for local and regional exhibitions and events.
- The area has rich local character and interesting historical sites that are attractive to tourists, including Kwan Tai Temple, Sam Tai Tsz and Pak Tai Temple, and the Flea Market in Ap Liu Street.
- The former Sham Shui Po Service Reservoir is a beautiful, historical site that has interesting character. Sham Shui Po District Office, the Hong Kong Tourism Board, fashion industry representatives, and other key stakeholders may explore whether the open space near the site can be developed to become an outdoor event venue for fashion shows, competitions, and related activities.

These are just a few possibilities in Sham Shui Po District. Key stakeholders of the proposed Fashion and Creative District need to leverage these and other attractive sites in Sham Shui Po District to host international fashion shows and frequent local events.

Figure 4.1 Potential Venues for Events and Street Festivals in Sham Shui Po District

D2 Place & Weekend Market



Nam Cheong Park

The Old Sham Shui Po Reservoir

Yu Chau Street

Pei Ho Street

Fuk Wa Street

In recent years, significant organic redevelopment in Tai Nan Street and nearby areas has already happened, making the area an "unofficial creative heart" of Hong Kong (Lynn 2022). Besides design studios, boutiques, and old and new retail shops that highlight the local history and character, there are now cafes frequented by designers, artisans, young entrepreneurs, and students and young people (see Figure 4.2). There are also old industrial buildings in Cheung Sha Wan and Lai Chi Kok, which are part of Sham Shui Po District, that can be renovated and further developed to meet the physical space needs of the Design and Fashion Hub development. Sham Shui Po can also be connected to other historical and cultural sites nearby, including M+ Museum of Hong Kong, so that "cultural tourists" can have a variety of options and enjoy diverse experiences in Hong Kong. For example, in the summer of 2022, a pilot bus route was developed to connect Sham Shui Po District with the Museum District in West Kowloon. Initiatives like this can help generate extra visitor traffic, which can be helpful to fashion and design studios and to retail development in the proposed Fashion and Creative District. The new policy focus of the HKSAR Government on cultural industries may provide further impetus for this development. The future development of the proposed Fashion and Creative District should try to leverage all these to build its unique brand and international appeal.

Figure 4.2 Leveraging Other Cultural Assets to Help Fashion & Creative District Development

Different tourist attractions

Local arts festivals and events

Easy connection to nearby attractions

Design and Arts Studios

Specialty stores

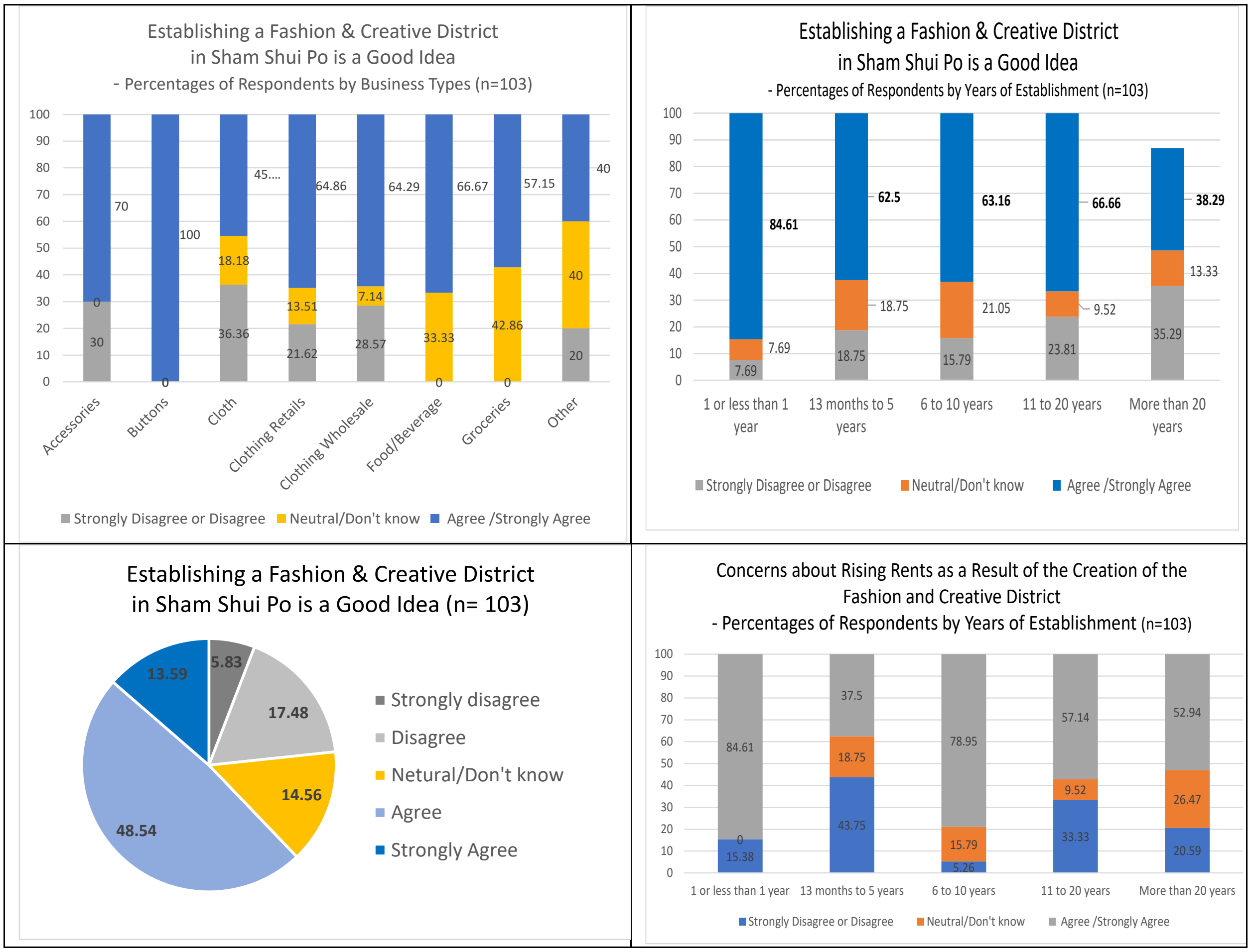
Cafes & restaurants

At the same time, there are potential risks and challenges (see Table 4.1). First, the redevelopment of Sham Shui Po may face difficulties due to fragmented property ownership of some of the old buildings and resistance to change by some long-term local residents. Second, there are existing legal constraints on industrial building revitalization and concerns about historical preservation and the protection of local character. In our interviews and survey, some local stakeholders and residents also expressed their concerns about gentrification if the proposed Fashion and Creative District becomes successful and attracts a lot of new business investment and young professionals. This concern is shared by most local businesses, especially among businesses established for less than 1 year and among businesses established for 6 to 10 years (see Figure 4.3). Nonetheless, in general, there is still strong across-the-board business support for the idea (see Figure 4.3). To address some of the business concerns, more community dialogues about the benefits and challenges of the proposed Fashion and Creative District, very thoughtful public consultation, and more public-private partnership to seek policy solutions are needed in the future.

Table 4.1 Analysis of the Physical Capital of Sham Shui Po

Strengths and Opportunities of Sham Shui Po as the Proposed Fashion and Creative District	*Limitations and Risk*
• *Many areas in Sham Shui Po District available for redevelopment* • *Empty industrial buildings available for revitalization* • *New possibilities of public-private partnership*	• Challenges of urban redevelopment due to fragmented property ownership of old buildings and resistance of local residents • Huge financial commitment needed to compensate existing owners • Legal constraints on industrial building revitalization • Concerns about historical preservation and protection of local character • High land price • Gentrification

Figure 4.3. Local Business Views on the Establishment of a Fashion and Creative District



Recommendation 1:

A Fashion & Creative **District should be established in Sham Shui Po to support the future development of the fashion and textile industries of Hong Kong.**

1a) Key stakeholders of the proposed Fashion & Creative District should leverage interesting venues and attractive sites in Sham Shui Po District, such as Tai Nan Street, Yu Chau Street, Pei Ho Street, D2 Place, Nam Cheong Park, and the open space near Ex-Sham Shui Po Service Reservoir, to host local events, street festivals, and fashion shows.

1b) The development and event planning for the proposed Fashion & Creative District should be connected with cultural development in nearby areas, such as the M+ Museum, so that "cultural tourists" can have a variety of experiences.

1c) Public private partnerships and local engagement are needed to address the potential challenges and risks of the proposed development.

Need for Long-Term Strategic Plan

As shown in the case studies above, city governments play a key role in providing a strategic vision and the necessary financial support for the transformation and sustained competitiveness of the fashion industry in different locations. Public commitment and investment in the industry is especially clear in the South Korea case, and it is important to note that this major commitment lasted for more than a decade before the Korean government saw its global impact and success.

During interviews, many industrial stakeholders also indicated their expectation that the Hong Kong Special Administrative Region Government would demonstrate more leadership and provide a clear strategic development plan for the industry. Otherwise, individual firms would feel hesitant to commit to long-term investment in human capital, equipment upgrading, and research in Hong Kong and would only take on low-risk projects that give quick financial returns.

All three cases, particularly the examples of Dongdaemun and New York City, show that cross-sectoral partnership and leveraging across different industrial and business sectors are very important. Many interviewees from the industry who have strong business connections with Korea and are familiar with the Dongdaemun development also pointed out that the success of the Korean fashion industry is heavily linked to the larger cultural policy of the Korean government and the push of Korean pop-culture to the rest of the world.

Hence, the development of the fashion industry in Hong Kong should be closely linked to other creative and cultural industries, such as arts, movie, other pop culture, museum, and tourism. Marketing, public relations, event organizing, and international trade opportunities can also help. From this perspective, the future development of the fashion and textile industries of Hong Kong and the proposed Fashion and Creative District should be modeled after the Korean government's policy. The proposed Fashion and Creative District should be viewed as part of a larger long-term strategic plan for cultural industries and Hong Kong's tourism development.

At the same time, these proposed strategies also face key risks and challenges (see Table 4.2). For example, the popularity of Hong Kong movies and pop songs in the Chinese and Southeast Asia markets has declined in recent years as compared to its peak in the 1970s and 1980s. As a result, unlike South Korea, the fashion industry of Hong Kong may have more challenges in leveraging those cultural assets to do brand building and pursue market expansion. Also, other cities, such as Shanghai, Tokyo, and Seoul, are already very advanced in leveraging their media and cultural industries to help with their fashion development. Hong Kong will have to move quickly and aggressively to catch up. Again, cross-sectoral public-private partnerships should be encouraged to foster this development.

Table 4.2 Analysis of the Cultural Capital of Sham Shui Po

Strengths and Opportunities	*Limitations and Risk*
• *Long historical strengths of Hong Kong in media industries, tourism, marketing, public relations, finance, and trade and event organizing* • *Cultural assets of Sham Shui Po District* • *Multi-cultural development and new retail in Sham Shui Po* • *New development and rising excitement about cultural development in Hong Kong*	• Declining strengths in media industries • Cultural promotion already lagging behind compared with other competing cities

Recommendation 2:

There should be a long-term strategic plan for the fashion and textile industries and for the proposed Fashion and Creative District.

2a) This strategic plan should be linked to a larger long-term strategic plan for cultural industries and tourism development of Hong Kong.

2b) Policymakers, business leaders, and community stakeholders related to the fashion and textile industries need to work with stakeholders in creative arts, media, cultural development, tourism, marketing, public relations, and event organizing, to develop more synergy and cross-sectoral strengths.

Need for Long-Term Financial Commitment and Innovative Financing through Public-Private Partnership

As shown in the above analysis, the success of fashion districts in different parts of the world depends on long-term financial commitment and support. To some extent, Hong Kong has some strategic advantages (see Table 4.3). The initial governmental support for the Design and Fashion Hub and Hong Kong Design Centre is already a good start. Also, Sham Shui Po District has the benefit of having many textile-related family businesses and companies already in place. Hence, there is potential family money from investors who may be willing to support the development of the Fashion and Creative District and related initiatives in the area. Hong Kong is also a major financial capital of the world and has good access to venture capital funds. This may provide additional sources of capital for development.

Table 4.3 Analysis of the Financial Capital of Sham Shui Po

Strengths and Opportunities	*Limitations and Risk*
• *Mature financial market in Hong Kong and effective venture capital market* • *Initial government investment in the Design and Fashion Hub* • *Family money and other sources of private capital* • *Land price appreciation leading to new capital*	• Unclear long-term investment in the Design and Fashion Hub by the HKSAR government • Declining business in the industry, causing uncertainty and hesitation in long-term investment

However, once again, the development of the Fashion and Creative District requires the long-term financial commitment of the government and business investors. The declining trade and manufacturing base of the industry has created high uncertainty and some reluctance to invest heavily in the industry. To kick-start this development, the HKSAR Government may therefore consider the establishment of a local development authority, such as the "Fashion and Creative Development Corporation" (please refer to the next section for more detail), to provide seed funding in the coming five to ten years to kick-start its operations, with the expectation that it will become self-financed in the long-run through retail and property development, tourist activities, and event income. The Co-Investment Fund of the HKSAR Government is a possible source for the initial funding. The proposed Fashion and Creative District may also consider adopting the "tax increment financing" (TIF) and impact financing strategies used by many U.S. cities to finance its redevelopment needs.

Recommendation 3:

The Hong Kong Special Administrative Region (HKSAR) Government needs to work with industries and professional communities to provide long-term financial support for the Fashion & Creative District for 10 to 15 years through a variety of financing mechanisms.

3a) The financial commitment of the HKSAR Government should be more than a one-time injection of project funds into the Design and Fashion Hub.

3b) The HKSAR Government should provide the initial public investment to kick-start the proposed Fashion & Creative District's operations, with the expectation that it will be self-financed in the long-run through retail and property development, tourist activities, and event income.

3c) Innovative impact investment financing mechanisms and public-private partnership should be explored.

Development of Multi-Tiered Events and Competition

All three of the case studies discussed above show that public support is needed to overcome information barriers and foster more industry-designer, business-to-business, and local-international exchanges. Through organizing events, fashion shows, workshops, and competitions, opportunities should be provided to showcase the design products of young designers and start-up companies. As some interviewees from the designer community indicated, frequent local events and fashion shows are important to nurture young talent, give them greater exposure, and incentivize continuous improvement.

At the same time, to further strengthen the image of Hong Kong as the home of global talent in the industry, the proposed Fashion and Creative District needs to ensure that some of its fashion shows and design competitions at the highest level are globally facing and highly competitive so that only the best talents can enjoy them and so that these opportunities are respected by the industry. In addition, the success stories of Dongdaemun, New York City, and Shanghai show clearly the importance of international engagement and brand building. The proposed Fashion and Creative District should position itself as an international hub for global talent and push Hong Kong designers and companies to learn from and compete with the best of the world.

Currently, various organizations, such as the Hong Kong Fashion Farm Foundation, the Create Hong Kong initiative of the HKSAR Government, and the Hong Kong Designer Association, are already organizing many competitive events to give local talent opportunities to showcase their products. For example, Fashion Farm Foundation has been organizing HKFG, an international fashion project since 2013 (formerly known as Fashion Guerilla). The awardees of the event have opportunities to participate in international events, such as Paris Fashion Week (see Figure 4.4). Sham Shui Po is well-positioned to host various local competitions since Fashion Farm Foundation and the Hong Kong Productivity Council are already in the district. These organizations are also well-connected with other fashion hubs. For example, Fashion Farm Foundation and the designers associated with its events and competitions participate regularly in Paris Fashion Week, Shanghai Fashion Week, and various fashion events in Greater Bay Area.

At the same time, there is still room for improvement (see Table 4.4). If the proposed Fashion and Creative District wants to be recognized as a global fashion hub, these competitions and events should attract not only local Hong Kong talent, but also talent from the Greater Bay Area and other regions. More efforts are needed to reach out to designers in mainland China, Korea, and Southeast Asia. HKSAR Government policies should also facilitate this by encouraging event organizers to recruit talent more aggressively from overseas and allowing some of the governmental subsidies to be used to support non-Hong Kong designers to join competitions held in Hong Kong. While the proposed Fashion and Creative District should definitely try to nurture local talent, it should avoid localism so that Hong Kong designers can learn from and interact more frequently with talent and ideas from other places. This was how New York and Shanghai developed their fashion leadership. Hong Kong Fashion Hub should have the same global perspective and openness to international competition.

Figure 4.4 Fashion Farm Foundation Events Showcasing Hong Kong Design Talents

Table 4.4 Analysis of Sham Shui Po Branding and Public Marketing Strategies

Strengths and Opportunities	*Limitations and Risk*
• *Potential to build upon existing events* • *Good connections with China and other global fashion hubs* • *Good public-private-professional partnerships to provide support*	• Insufficient efforts and recognition to draw talent regionally and globally to Hong Kong contests • Constraining policies of HKSAR Government • Localism in Hong Kong

In addition, store owners and business developers who are interested in the proposed Fashion and Creative District development need to consider the consumers and possible market segments Sham Shui Po District attracts. The district is one of the relatively poorer districts in Hong Kong. It is well-known for low-priced products and flea market goods. It may also be an ideal location for a large-scale outlet mall for brand name products. However, it may be difficult to brand the district as a high-end fashion hub like Soho in New York City. Further market research is needed to develop unique branding for the Proposed Fashion and Creative District in Sham Shui Po District. The District should also differentiate itself from other fashion-related clusters in Hong Kong, such as PMQ and the Mills.

Recommendation 4:

The proposed Fashion & Creative District should organize multi-tiered events and activities to foster more industry-designer, business-to-business, business-to-consumer, and local-international interactions and exchanges.

4a) Local events and activities should be organized in tiers, with the basic tier being more frequent and open to all types of firms and designers to foster more exchanges, break down informational barriers, provide regular, low-cost venues to showcase new products and designs, and nurture young designers and start-up companies.

4b) Participation in higher-tier events should be highly selective and competitive to build local and regional brand recognition, incentivize best performance, and draw out the best talent from Hong Kong, the Greater Bay Area, and beyond.

4c) Premier events and activities of the proposed Fashion & Creative District, such as an annual fashion show or competition, should be internationally oriented to position the District as an international hub for global talent and businesses.

4d) Local events and activities related to the fashion and textile industries can be assisted by retail, cultural and entertainment activities, including the possibility of developing an outlet mall in the area.

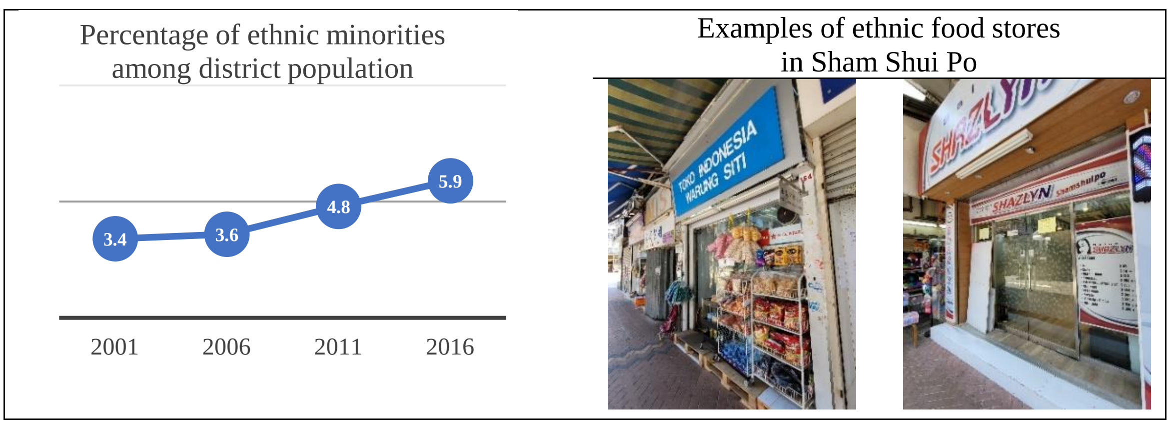
Reinforcing a Welcoming and Inclusive Environment in Sham Shui Po

To be able to attract global talent, foreign investors, and visitors from China and different parts of the world, the proposed Fashion and Creative District in Sham Shui Po needs to create a welcoming and inclusive environment for visitors and professionals with diverse ethnic and cultural backgrounds, lifestyles, and belief systems. Such diversity can be a driving force for creativity and product innovation.

Recommendation 5: **Government agencies, businesses and professional organizations, and community leaders of Sham Shui Po District need to work together to reinforce a welcoming and inclusive environment for global talent and international visitors.**

This recommendation also fits naturally with the unique demographic assets of Sham Shui Po District. Compared with other districts in Hong Kong, Sham Shui Po District is culturally and ethnically diverse. In 2016, almost 6 percent of the district population were ethnic minorities, and the up-trend has continued. Some of the retail stores in the area are already tailored toward the needs of this population (see Figure 4.5).

Figure 4.5 Multi-Cultural Assets of Sham Shui Po District



This cultural and ethnic diversity should be leveraged to help local designers develop greater multi-cultural elements and appeal. If some of their products have more unique elements that are attractive to consumers in different regions, especially the upper middle class in Southeast Asia, South Asia, the Middle East, the proposed Fashion and Creative District may differentiate itself from other competitors in Asia. It may also benefit from opportunities arising from the national Belt and Road initiative. The historical development of the fashion industries in New York and Shanghai shows that cultural fusion may help generate new design ideas and fashion trends. The proposed Fashion and Creative District should not ignore this potential and should encourage local designers to look beyond traditional Chinese and western design thinking and create more unique brands and products.

Nonetheless, there are also risk and challenges in pursuing this strategy (see Table 4.5). Many local designers in Hong Kong are ethnic Chinese and lack the kind of multi-cultural understanding and perspective needed to make this adjustment. Most of the retailers, design studios, and university programs in fashion and design in Hong Kong also lack multi-cultural training beyond the Chinese and European traditions. More deliberate efforts by multiple sectors may be needed to explore this multi-cultural strategy. Lessons from the city of Miami, Florida in the U.S. may be helpful to Hong Kong (see Textbox 4.1).

Table 4.5 Analysis of the Demographic Assets of Sham Shui Po

Strengths and Opportunities	*Limitations and Risk*
• *Cultural and demographic diversity of Sham Shui Po District* • *Strong connections with S.E. Asian countries* • *The national "Belt and Road" initiative*	• Localism in Hong Kong • Language barriers and insufficient multi-cultural understanding among designers and local businesses

Textbox 4.1 Multi-cultural Fashion Hub in Miami, Florida, USA

In recent years, the city of Miami, Florida in the U.S. has emerged to become a new fashion hub. Benefitting from its growing Hispanic population and multi-cultural development in the area, the city has attracted designers and fashion industries to develop their businesses there. For example, Naeem Khan, the Indian-American designer who designed dresses for the Duchess of Cambridge Kate Middleton, Former First Lady Michelle Obama, and Beyoncé, moved his design studio and business headquarters from New York City to Miami in 2020 (NBC Miami, 2018). Instituto Marangoni, the internationally known Italian fashion school, has also established its first U.S.-based school in the city.

Supported by the Miami City Government, the Miami Design District is an emerging fashion hub that is especially appealing to Millennial and Gen-Z talent. It has successfully attracted luxury fashion brands like Hermès (hosting one of its major global flagship stores), Dior (hosting its biggest US store), Louis Vuitton, Lanvin, Marc Jacobs, Cartier, and Givenchy, Isabel Marant, Yves Saint Laurent, and Tory Burch. According to Fashion United, Miami is well-known for its glamorous, youthful Latin and Carribbean styles (Yu, 2019).

Leveraging its cultural assets, geographic location, famous beaches, cruise ship port, and many tourist attractions, Miami hosts the Miami Swim Week, showcasing the latest swimwear trends of the world, and Miami Fashion Week, which is a mix of fashion, music, and art and showcases the multi-cultural beauty and lifestyles of Latin America and the U.S (Carter, 2022). For example, in 2019, before the COVID-19 pandemic, Miami Fashion Week attracted more than 202 million visitors and earned $6 million total media value (Rosell, 2021). In 2022, Miami Fashion Week ran from May 31 to June 5. The week-long event focused not only on fashion, culture and art, but also on a new theme – sustainability. "With the pandemic showcasing the importance and necessity of sustainable fashion practices to limit supply chain disruptions and the effects of the fashion industry on the environment, Miami Fashion Week is dedicated to investing all the necessary resources into spotlighting the role of sustainability during global fashion weeks to ensure the growth and future of the industry" (Miami Culinary Tours, 2022).

Need for More Strategic Human Capital and Talent Development

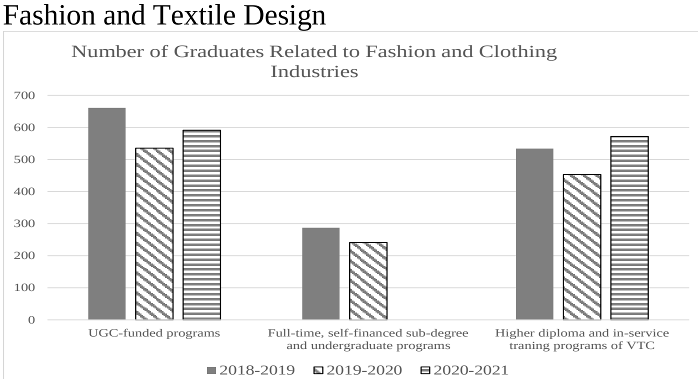
To implement many of the above recommendations and to revamp the Hong Kong fashion and textile industries, new and globally competitive talents are needed. This requires close collaboration among universities, research institutes, training institutes, businesses, professional bodies to educate and nurture these talents. According to the HKSAR Government, in 2020-2021, there were 591 graduates from programs funded by the University Grants Committee (UGC) that were related to fashion and apparel technology. The number dropped considerably from 661 in 2018-2019. In the same period, the number of graduates form higher diploma and in-service training programmes awarded by the Vocational Training Council increased from 534 in 2019 to 572 in 2021 (see Figure 4.6). These programs, many of which are located close to Sham Shui Po District, may provide the needed talent for the proposed Fashion and Creative District.

Table 4.6 Analysis of the Human Capital of Sham Shui Po

Strengths and Opportunities	*Limitations and Risk*
• *Close proximity of these institutions and organizations in the district or nearby areas* • *Long tradition of cross-sectoral collaboration*	• Insufficient and unattractive pay • Insufficient opportunities to practice in the industry due to thinning-out of the manufacturing sector

Figure 4.6 Major Educational and Training Institutes Related to the Fashion and Clothing Industries and the Number of Graduates in Recent Years

- The School of Fashion and Textiles, Polytechnic University of Hong Kong – various degree programs
- Hong Kong Design Institute - BA Program in Fashion Design
- Clothing Industry Training Authority (CITA) - various diplomas and certificate programs
- Caritas Institute of Higher Education, BA Program in Fashion and Textile Design



Source: The Government of Hong Kong SAR (2022)

- The Technological and Higher Education Institute (THEi) – BA Program in Fashion Design
- Raffles Design Institute – Various degree programs in Fashion Design
- Hong Kong Metropolitan University, the High Diploma Program in Digital Fashion Creation
- Vocational Training Council - Higher Diploma in Fashion Design
- Hong Kong CO1 School of Visual Arts

At the same time, fashion and clothing-related talent in Hong Kong faces many challenges. Because the sector has not yet fully migrated to high-end, high-value-added services and manufacturing, many of the jobs are not well-paid. As a result, the sector struggles to attract and keep young talent in the industries. In addition, because of the thinning-out of the manufacturing sector in Hong Kong, fashion and clothing-related talent does not have enough opportunities to work with engineers and manufacturing technicians to understand how new technologies and materials may transform the industry and to co-design products to take full advantage of these new technological break-throughs.

In addition, more collaboration between the fashion industry and textile manufacturing is needed to nurture the next generation of talent in Hong Kong. Some pioneering examples are already implemented by some companies in Hong Kong (see Textbox 4.2). Through small manufacturing and technologies, Hong Kong designers can work with local manufacturers to produce high-end, designer products that may appeal to a certain segment of the consumer market. New technologies may allow Hong Kong designers to have small-scale production to test certain design before they try to scale up to a larger market.

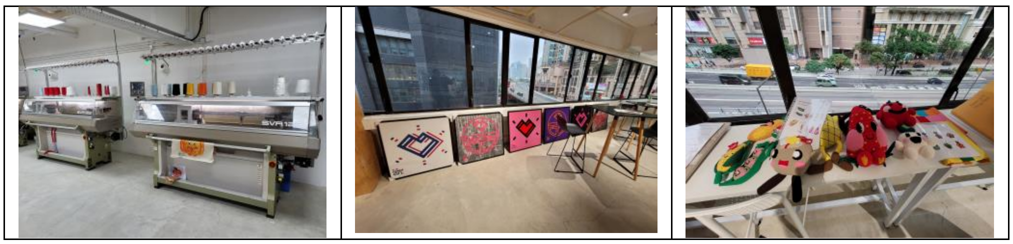
To achieve the above strategies of human capital development requires more collaboration between the fashion and textile industries as well as among industries, universities and research institutions. These strategies also require continuous investment to select, attract, nurture and retain top talents. As suggested in the New York case, these top talents should be rewarded and recognized fairly.

Recommendation 6:

To equip local talents with the necessary skills and competencies to compete globally, government agencies, businesses and professional organizations, and managers of the proposed Fashion and Creative District should strengthen their networks, expand their information sharing mechanisms, and pursue more collaboration in educational programs.

Textbox 4.2 New Possibilities for Small-Scale, High Value-Added Manufacturing in Hong Kong

Hong Kong-based LAWSGROUP and Cobalt are two pioneers that have pursued various initiatives to empower local designers to produce small-scale, personalised design products for the consumer market. For example, Cobalt empowers local designers through its digital design system and advanced whole-garment knitting machines so that they can produce customized clothing orders very efficiently (https://www.cobaltknitwear.com/en/index.html). Laws Knitters Studio in Lai Chi Kok also allows local designers to use the facility and advanced equipment to produce customized knitting products. The studio supports the full knitting process, including the supply of cotton knits, 3D design models and software, and automatic knitting machines.



Designers can use the space to network, brainstorm ideas, co-create, and transform their ideas into real products for the market (Laws Knitters booklet, 2022). The studio encourages inter-and-intra collaboration among designers, brands managers, students, and even the public who wish to unleash the potential of customized production. Because it works with local designers and students in Hong Kong, the end-products can highlight some of the special features and unique appeal of Hong Kong.

Both companies also connect local designers' products to the mass market. For example, products designed and made from the Laws Knitters Studio can be sold in physical start-up stores and weekend markets at D2 Place Once and Two. Cobalt operates an online platform and allows users to order customized fashion products based on local designers' design patterns.

Encouragement of Business-Industry-University Collaboration to Foster High-Value Industrial Development

The macro analysis of the clothing industry's development, case studies of other fashion hubs, and interview results of local stakeholders all point to the need for Hong Kong to focus on high value-added services and products, such as design, smart manufacturing through digitalization, agile organization of the production process, product quality improvement, compliance with top international standards, and brand-building. Fast fashion and manufacturing of low-cost, low-quality products are or will be inevitably outsourced to economies with significantly lower labor costs and those should not be the focus of the proposed Fashion and Creative District.

The proposed Fashion and Creative District in Sham Shui Po can support this development. It can leverage the strengths of universities, research institutions, and business support centers nearby and provide the much-needed knowledge capital for local companies and designers to upgrade their product value and services (see Figure 4.7). For almost two decades, the HKSAR Government has already invested significantly in the Hong Kong Research Institute of Textiles and Apparel, which is instrumental in helping local companies develop new materials, improve their manufacturing processes, and explore the possibilities of sustainable fashion (see Textbox 4.3).

Figure 4.7 Location of Key Facilities Around the Proposed Fashion and Creative District

The Hub – Design and Fashion Hub and the future HK Design Centre
CityU – City University of Hong Kong
FFF – Fashion Farm Foundation
HKDA - Hong Kong Designers Association
HKPC – Hong Kong Productivity Council
HKRITA – Hong Kong Research Institute of Textiles and Apparel
InnoCenter – Hong Kong InnoCentre
JCCAC – Jockey Club Creative Arts Center
PolyU – Hong Kong Polytechnic University
VTC – Vocational Training Council

Textbox 4.3 Hong Kong Research Institute of Textiles and Apparel (HKRITA)
- An Engine of Sustainable Growth for Both the Industry and the Society
By David Chun-Wai MAN

The Hong Kong Research Institute of Textiles and Apparel (HKRITA) was established in 2006 with funding support from the Innovation and Technology Commission of the HKSAR Government. It is currently managed by Hong Kong Polytechnic University (PolyU). As the first and only local clothing-focused R&D center, HKRITA, it has strong in-house expertise and wide connection with industrial partners. Its mission is to help the fashion and textile industry use technologies to transform itself and enhance its regional and global competitiveness.

In recent years, sustainability has become a major emphasis of HKRITA. Because traditional textile production relies heavily on water and toxic chemicals in dyeing, it has been blamed for polluting the environment. The rise of fast-fashion and the growing population worldwide that results in more clothing consumption has also made the problem worse. To address these problems locally and beyond, HKRITA has been embarking on numerous significant projects on green textiles, two of which, in particular, have won industrial and innovation awards.

For example, one of the projects, the "Garment-to-Garment Recycling System," won the gold medal in the 2019 International Exhibition of Inventions of Geneva. It tackles the apparel-waste problem by using post-consumer clothes to re-produce new ones. It is powered by artificial intelligence (A.I.) and computer programs and hence requires very limited manpower. The entire 8-step recycling process, from sanitization and opening, to cleaning, carding, drawing, and spinning, to doubling and twisting, and finally knitting, uses no water and chemicals. It could also be fully operated in a standard cargo. Hence, the solution is scalable and replicable, even in cities or places with compact space.

Another prize-winning innovation is the "Green Machine," a collaborative outcome with the H&M Foundation since 2019. It is the world's first closed-loop technology that can sort out and recycle polyester-and-cotton blend textiles at scale in about 2 hours without any quality harm. Heat, water, pressure is re-used and re-generated within the system, and only biodegradable green chemicals are employed in the recycling process. Since 2000, the Green Machine has been adopted by several manufacturers, including Kahatex in Indonesia, ISKO, a denim supplier, and another company in Cambodia.

At the same time, there is still room for improvement (see Table 4.7). In interviews, local industrial stakeholders have expressed concerns that a lot of basic research by universities in Hong Kong is not ready for commercialization, and university researchers often chase after project-based research funding by the HKSAR Government and under-value the long-term needs of industries. The fact that the manufacturing base of Sham Shui Po District and Hong Kong in general has depleted significantly over time is also a barrier. This does not allow local designers, industrial engineers, and business managers to work closely together to build synergy.

Table 4.7 Analysis of the Knowledge Capital of Sham Shui Po

Strengths and Opportunities	*Limitations and Risk*
• *Existing basic research strengths of Hong Kong universities and research institutions* • *Long history of university-industry collaboration* • *Significant investment of HKSAR Government* • *Access to top talents and technologies from different parts of the world* • *Existing strengths in some high value-added services, including fashion and smart manufacturing*	• Insufficient commercialization and new product development out of basic research • Lack of manufacturing in Hong Kong to support R&D • Insufficient connection between different stages of the value-chain • Insufficient understanding of technological shifts by designers • Misaligned incentive between research and product development

To address this limitation, it is recommended that the Hong Kong Design Centre and the Hong Kong Productivity Council should work closely with universities, the designer community, and industries in Sham Shui Po District to host regular seminars, workshops, and exhibitions so that more information exchange and collaboration among these stakeholders can emerge more naturally and effectively to foster the upgrading process of the Hong Kong clothing industry. For example, City University of Hong Kong has launched the Hong Kong Tech 300 initiative. It has encouraged faculty members and students to work with industries and businesses to create start-ups and apply frontier research to help upgrade and transform the industrial sector of Hong Kong (see Textbox 4.4). Similar initiatives are also happening at other universities in Hong Kong. This type of development can be helpful to the long-term development of the fashion and textile industries in Hong Kong.

Recommendation 7:

The proposed Hong Kong Fashion and Creative District should foster more industry-university collaboration that focuses on high value-added services and products.

7a) The Hong Kong Design Center and the Hong Kong Productivity Council should take the lead and work closely with universities, the designer community, and industries in Sham Shui Po District and nearby areas to host regular seminars, workshops, and exhibitions that focus on industry-university collaboration, smart manufacturing, high value-added services, and commercialization of research results.

7b) Hong Kong Special Administrative Region Government should establish policies that incentivize university researchers to work closely with local manufacturers and designers to develop high-value added commercialized products and services.

Textbox 4.4 CityU HK Tech 300 and Faculty Expertise Related to the Clothing Industry

City University of Hong Kong launched the Hong Kong Tech 300 in 2021, with the goal of creating 300 start-ups in three years. By early 2022, more than 300 student teams have already received seed funding to start their businesses. These start-up companies cover many hi-tech areas, such as big data application, bio-technologies, new materials applications, machinery design, and new media development. Some of these start-ups, especially companies focusing on data analytics, business intelligence, smart manufacturing, and new materials usage, may have products and applications that can be useful to the fashion and textile industries.

For example, Professor Jinlian HU and her research team are working with industrial partners and HK Tech 300 start-ups to develop flexible wearable materials for healthcare and smart technologies such as mini-sensors for medical and textile products. Her team is also developing new technologies for more authentic and appealing visual simulation of fashion and textile products so that the industry and designers can display new designs and sample products more cost-effectively and conveniently.

In addition, Dr. Shauhrat CHOPRA of the School of Energy and Environment and Dr. Liang DONG of the Department of Public and International Affairs are working on projects related to sustainable fashion, smart manufacturing, and recycled fabric usage and are helping local industries reduce negative environmental impacts.

Other faculty members and students are working on the usage of sensor technologies, 5G communication, artificial intelligence, and Big Data analytics that can be helpful to smart manufacturing, especially for textile companies that have remote manufacturing facilities and face quality control and logistics managerial issues. These are just a few examples that show the potential of university-industry partnership to transform and upgrade the fashion and textile industries in Hong Kong.

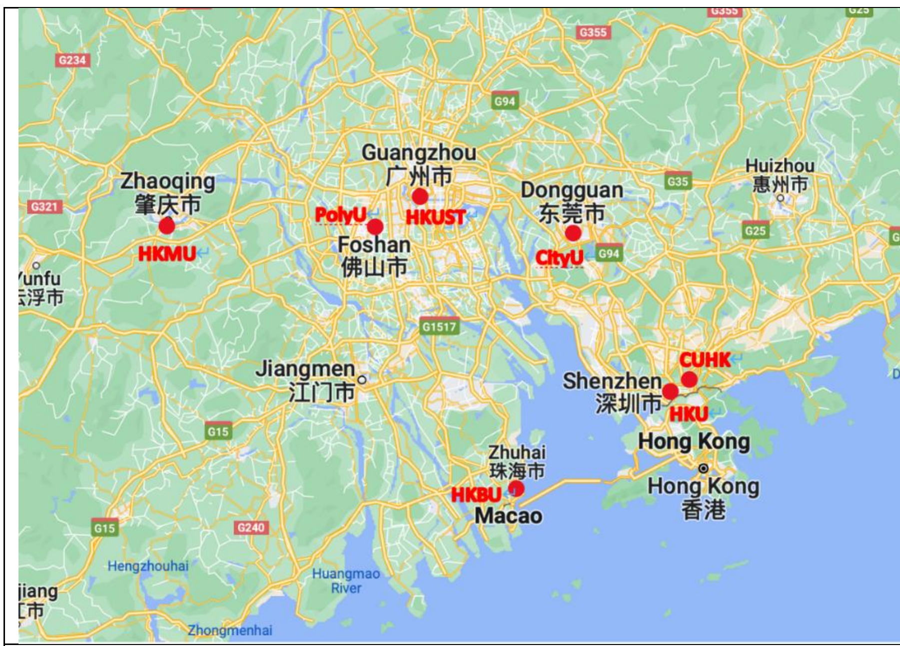
Leveraging Opportunities in the Greater Bay Area

As shown in previous analyses (see Chapter II and Figures 2.1 – 2.4), many Hong Kong companies moved into Guangdong and other parts of mainland China in the late 1980s and early 1990s. Even though the labor costs in mainland China has increased in recent years and some manufacturing facilities have also left China and migrated to countries with relatively lower costs, such as Bangladesh and Indonesia, mainland China remains a global manufacturing base. To compensate for the disadvantage of rising labor costs, the Chinese government has invested heavily in advanced manufacturing research and development as well as new materials development. As a result, many clothing factories in the mainland are able to use smart technologies, such as artificial intelligence, Internet of Things, and robots, to enhance labor productivity.

Moreover, Chinese manufacturers are able to stay at the cutting edge of manufacturing through the use of new materials. For example, China is the largest supplier of polyester in the world, and polyester spun yarn in the Asian-Pacific region, dominated by Chinese manufacturers, occupied more than 85 percent of the global polyester material market (CITIC Nanyang, 2021). This type of development gives manufacturers in China a competitive advantage in raw material sourcing and has empowered them to stay at the frontier of functional garment manufacturing, especially in sports clothing.

For these reasons, the proposed Hong Kong Fashion and Creative District should take advantage of its geographic proximity to mainland China and work closely with manufacturers and research institutes in the Greater Bay Area (GBA). High-speed train service has shortened the commute time between Hong Kong and Guangzhou to less than an hour under normal circumstances. When the COVID-19 pandemic is over and all the quarantine requirements and travel restrictions are lifted, close connection between Hong Kong and GBA will be resumed. There will also be national and local policies that further encourage economic and social exchanges between young people in the region. In addition, in the coming few years, many new campuses of Hong Kong universities will be officially opened in Shenzhen and different parts of Guangdong Province, which will further facilitate economic collaboration and talent flows in the region (see Figure 4.8).

Figure 4.8 Great Bay Area Campuses of Major Hong Kong Universities



CityU – City University of Hong Kong
CUHK – Chinese University of Hong Kong
HKU – University of Hong Kong
HKBU – Hong Kong Baptist University
HKMU – Hong Kong Metropolitan University
HKUST – Hong Kong University of Science and technology
PolyU – Hong Kong Polytechnic University

At the same time, localism, misunderstanding, and language barriers may cause some local designers and students majoring in textiles to feel reluctant to find learning and employment opportunities in GBA (see Table 4.8). There are also emotional and perceptional factors that cause some people to feel reluctant to work in GBA. Pay differentials between Hong Kong and cities in GBA is another factor that may cause Hong Kong young talent to feel hesitant to explore opportunities in the GBA. To overcome these barriers, the HKSAR Government should work with the Guangdong Provincial Government, industry leaders, and educational institutions to create more incentives for Hong Kong fashion and textile talent to try internships and exchange opportunities in GBA.

Table 4.8 Analysis of the Geographical Capital of Sham Shui Po

Strengths and Opportunities	*Limitations and Risk*
• *Easy commute to mainland cities in the Greater Bay Area* • *National and local policies to encourage closer collaboration between Hong Kong and other cities of the Greater Bay Area* • *Additional campuses in GBA established by universities in Hong Kong*	• Localism and resistance due to misinformation and lack of understanding • Emotional and perceptional barriers • Pay differentials between Hong Kong and cities in the GBA

Recommendation 8:

Key stakeholders of the proposed Fashion & Creative District and the Hong Kong SAR Government should work with the Guangdong Provincial Government and the Shenzhen City Government to support more industrial, educational, and research collaboration and expand the market reach of local firms and designers.

8a) Government agencies, businesses and professional organizations, and managers related to the proposed Hong Kong Fashion and Creative District should support local designers to work manufacturers and designers not just in Hong Kong but also in other parts of Greater Bay Area.

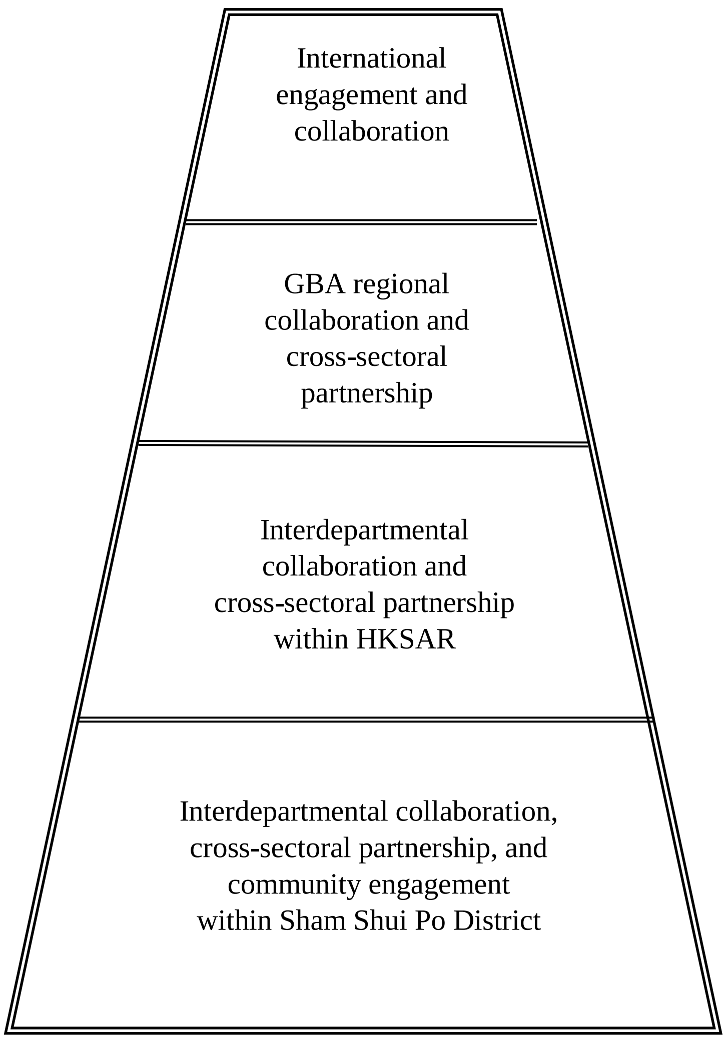
8b) The proposed Fashion and Creative District should organize events and facilitate academic-industry-designer interactions to help local firms and designers strengthen their R&D, upgrade their products and services, and explore and expand their market reach.

8c) The Hong Kong SAR Government should work with local universities to encourage more internships and frequent student exchanges in the Greater Bay Area.

V. Public Governance Strategies to Support Fashion and Creative District Development

The above recommendations require cross-sectoral collaboration among industries, universities, research institutions, professional communities, and local residential groups. They also require cross-departmental coordination and planning within the government of Hong Kong Special Administrative Region. Furthermore, the HKSAR Government and industrial representatives need to work closely with corresponding entities in the Greater Bay Area and in other global fashion hubs to foster regional and international collaboration (see Figure 5.1). All these also require long-term visioning, commitment, and capacity building, and continuous learning across the business, public, and professional sectors.

Figure 5.1. Multi-Level, Multi-Sectoral Mechanisms Needed



- International organizations
- National agencies
- HKSAR agencies
- Industrial representatives
- Professional & trade associations

- Governmental & business units in the GBA
- HKSAR bureaus
- Industrial representatives
- Professional & trade associations

- HKSAR bureaus, inter-departmental taskforces and committees
- Legislative Council
- Industrial representatives
- Professional & trade associations
- University and research collaborative partnerships

- Sham Shui Po District Office
- Various departments and branch offices
- Hong Kong Design Center
- Urban Redevelopment Council
- Business representatives
- Community representatives
- City University of Hong Kong and other local stakeholders

To facilitate the above, the long-term development of Hong Kong Fashion and Creative District requires new institutional mechanisms and governance arrangements. The traditional laissez-faire policies of the HKSAR Government run by a small, albeit highly efficient bureaucracy are no longer sufficient to meet Hong Kong's reindustrialization needs and face the challenges of a growingly complex and competitive global economy. Hong Kong needs new industrial policies, and these policies require new multi-level, multi-sectoral thinking and partnership arrangements.

The experience of South Korea provides great insights for Hong Kong. The success of Dongdaemun was not built from laissez faire, market-led initiatives. It was a deliberate effort by the Korean government, supported by complex multi-layered, public-private partnerships. The Ministry of Culture, Sports and Tourism, the Korean Creative Content Agency, the Ministry of Trade, Industry and Energy at the national level, the Seoul Metropolitan Government at the local level, and the Korean Fashion Industry Association and Seoul Design Foundation from the non-governmental sector all played key roles and contributed to the multi-sectoral planning and development of Dongdaemun Design Plaza (see Textbox 5.1 for more details).

Textbox 5.1 The Governance Structure behind the Success of the Dongdaemun Fashion Hub by Andrew YUEN

The success of Dongdaemun can be attributed to the success of multi-level, multi-sectoral collaborative governance. Because of this institutional arrangement, South Korea could make long-term strategic plans for Dongdaemun and execute the plan systematically and persistently from 2002 to the present.

First, in 2002, the Korean government designated Dongdaemun to be the "*Dongdaemun Fashion Town Special Tourism Zone*", which was the largest special tourism zone in South Korea at that time. Then it required the following entities to work closely together to make long-term strategic plans for the zone:

- The Ministry of Culture, Sports and Tourism – It is responsible for supporting cultural events, tourism, art, religion, and sports and for enhancing local and global awareness of the Korean culture.
- The Korea Creative Content Agency (KoCCA) – Founded in May 2009, KoCCA supports the development of Korean pop culture and creative industries, including discovering new designers, nurturing new design talent, and expanding Korean designer brands.
- The Ministry of Trade, Industry and Energy – It supports industrial development, promotes international trade, fosters international collaboration and foreign investment in Korea, and encourages cross-sectoral development, including cooperation between the design, manufacturing, and distribution sectors.
- The Korean Fashion Industry Association – It is responsible for enhancing the industry's global competitiveness, with special emphases on digital transformation, global brand building, protection of intellectual property rights, manufacturing capacity building and industrial cooperation, and talent development and promotion.
- Seoul Metropolitan Government – It is responsible for the planning, construction, and development of the monumental Dongdaemun Design Plaza and Park and is the endowment funder of the Seoul Design Foundation.
- The Seoul Design Foundation (SDF) – Established in 2009, SDF directs the post-launch operations of Dongdaemun Design Plaza with the goal of making it a global design hub and promoting Seoul's design culture.

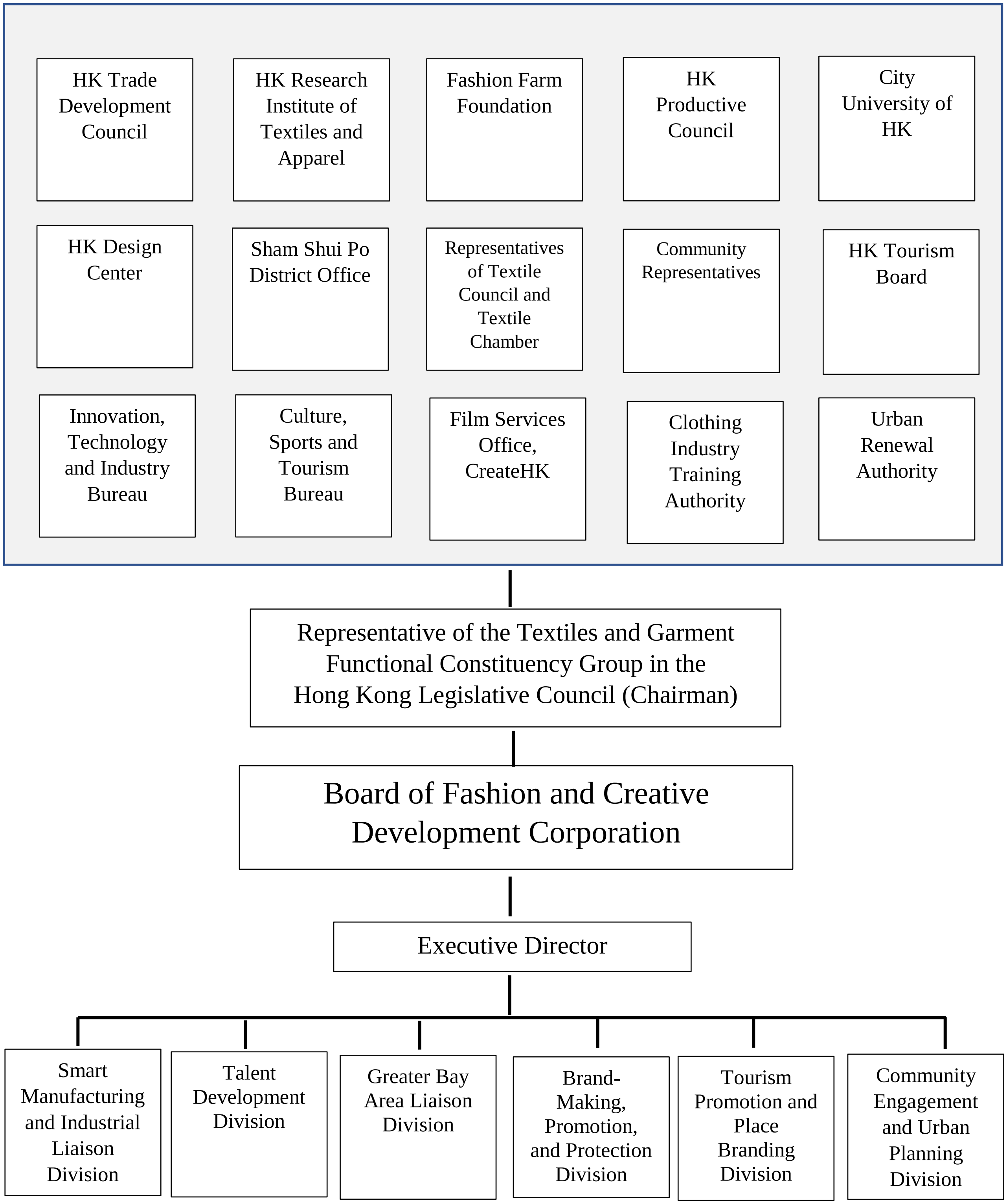
Similarly, the continuous success of New York City as a global fashion center, the development of Shanghai as a cultural and fashion center of China, and the emergence of Miami as a new fashion hub in the U.S. all demonstrate the importance of cross-sectoral partnerships and long-term strategic thinking.

Given these international experiences and insights, this study proposes to establish a new public entity, the “Fashion and Creative Development Corporation” (FCDC), to support the long-term development of the proposed Fashion Creative District. The Board of the FCDC may consist of representatives from different sectors, including representatives from the Hong Kong Textile Council, Hong Kong Design Centre, the Fashion Farm Foundation, HKRTIA, CITA, Create Hong Kong, and HKSAR Governmental agencies that are responsible for industrial development, trade, cultural affairs, and tourism. Other key stakeholders, such as the Sham Shui Po District Office, the Hong Kong Productivity Council, City University of Hong Kong, and community and business representatives, should also be involved (see Figure 5.2). The Legislative Council representative of the textile sector should be an ex-officio director and chairman of the FCDC board. Under the FCDC board, an Executive Director should be appointed to oversee the corporation and coordinate with various external entities. The Director’s Office should manage six divisions responsible for the key competitive strategies of the Proposed Fashion and Creative District:

- the Smart Textile Manufacturing and Industrial Liaison Division
- the Talent Development Division
- the Brand-Making, Promotion, and Protection Division
- the Greater Bay Area Liaison Division
- the Tourism Promotion and Place Branding Division
- the Community Engagement and Urban Planning Division

These divisions will work with the designer community, textile manufacturers, various business sectors, and local business and community leaders to ensure that the future Fashion and Creative District in Sham Shui Po District will be a successful designer incubator and talent development hub, a globally well-known fashion retail and tourism hotspot, and an important enabler for high-end, high value-added manufacturing that will support the long-term development of the fashion and textile industries of Hong Kong in the future.

Figure 5.2 Proposed Governance Structure of the Fashion and Creative Development Corporation



VI. Conclusion

Hong Kong has long historical roots in the fashion and textile industries. As discussed in the introduction, industrialists from Suzhou, Shanghai, and Zhejiang brought essential financial capital, human talent, intellectual capital and know-how, and business connections, to Hong Kong and helped kick-start the development of the industries in the late 1940s and early 1950s. Many spill mills began to emerge in that era and many businesses began to expand to Southeast Asia. Later, these entrepreneurs began to work on western clothing and expand to U.S. and European markets because of their long-established business experience, unique east-west connections, and the availability of a skilled labor force in Hong Kong. In the 1970s and 1980s, Hong Kong was one of the largest manufacturers of textiles and garments of the world.

Even though Hong Kong gradually lost its leadership position in clothing manufacturing in the late 1980s and 1990s, Hong Kong companies adapted quickly, shifting their manufacturing bases to other regions and countries, and growing in other textile-related businesses, such as textile trading, sourcing, logistic control, quality control, marketing, and product design. Even though the end of the quota system under the Multi-Fiber Agreement was another blow to the industries in the 2000s, many Hong Kong companies persevered by expanding their manufacturing networks to even more countries, seeking out new markets outside the U.S. and Europe, and shifting from Original Equipment Manufacturing (OEM) to Original Design Manufacturing (ODM) and even Original Brand Manufacturing (OBM).

This evolution of Hong Kong textile and fashion industries over the past few decades shows that Hong Kong companies are agile, willing to learn and improve, and capable of responding to external market pressure and policy shifts. More importantly, the long historical evolution of the industries gives Hong Kong a competitive advantage that many newly arising fashion hubs in the world can only envy – Hong Kong companies collectively have the deepest and broadest understanding of the whole value-chain of the fashion and textile industries. From fiber selection, yarning, fabric dyeing and production, to market research, design conceptualization, pattern and sample making, fitting, sourcing, logistic management, manufacturing, quality control, compliance auditing, trading, marketing and branding, and legal service support and intellectual property protection, Hong Kong companies have done them all at some point and have first-hand, practical know-how. The depth and breadth of talent, entrepreneurial experience, and intellectual capital and the global reach of business networks of Hong Kong companies cannot be easily matched by most fashion hubs in the world, including Shanghai, Milan, and even New York.

This competitive advantage, perhaps not well-discussed and emphasized by local policymakers and business entrepreneurs, is very critical to the future of reindustrialization of Hong Kong. When one looks at the enduring successes of different industries, historical roots, accumulated talent, intellectual property, and reputation matter. For example, German leadership in the automobile industry could be dated back to moto-car pioneers Karl Benz and Nicolaus Otto in the 19th century, the successes of Mercedes-Benz, Opel, and BMW in the 1920s, and the rise of Volkswagen in the post-WWII era. Decades of craftsmanship, engineering experiences and research, and nurturing of design talents over decades have given German companies an edge over others even today. Similarly, the dominance of the movie industry by American firms can be dated back to the invention of the phonograph by Thomas Edison in 1877 and the first motion-picture camera by Edison and Dickon in 1888 and the clustering of motion-picture companies, such as Paramount Pictures, Universal Pictures, and Goldwyn Picture, in Hollywood, Southern California since the 1910s. Over time, Hollywood became and is still the most important global hub for movie-making talents and entrepreneurs and the birthplace of new movie technologies and technical effects.[7]

These lessons are insightful for Hong Kong's industrial future. Given the rich talents and historical strength of Hong Kong in the fashion and textile industries, it still has the potential to resurge as a global leader. However, as suggested by the experiences of many other industries and the case studies of several international fashion hubs discussed in this study, the future success of the fashion and textile industries of Hong Kong requires not just business investment and effective market strategies, but also public-private partnerships, coordinated policy support, and long-term financial commitment to provide essential financial, physical, human, and intellectual capital.

This is why this study recommends eight strategies under "*Vision for Fashion 2047*". In addition to the creation of the Design and Fashion Hub in Sham Shui Po in 2023, Hong Kong SAR should designate a certain area of Sham Shui Po District as a Fashion and Creative District and integrate this move into the larger economic strategies of Hong Kong Special Administrative Region, which is to re-ignite the development of cultural and creative industries, further strengthen local tourism, bring back manufacturing, upgrade existing industries, and encourage more sustainable urban development and economic growth. Also, a Fashion and Creative Development Corporation should be established to serve as the executive arm of the proposed district, coordinate with different stakeholders to further strengthen and execute the action plan for *Vision for Fashion 2047*, and manage different financing mechanisms to sustain the operations of the Fashion Creative District. Furthermore, this report recommends that the HKSAR Government work with industries and professional communities to provide long-term, sustainable financial support for the proposed district, establish and implement innovative and sustainable financing mechanisms, organize multi-tiered events and activities, and cultivate and promote a welcoming and inclusive environment in Sham Shui Po to attract global talent and international visitors. In addition, more collaboration among universities, research institutes, training institutes, businesses, professional bodies should be developed to nurture new talent, produce new products and design, and to build market niches in high value-added, sustainable fashion and functional wearables. All of these efforts will require more engagement with the Greater Bay Area to tap into its human capital, research and manufacturing capacity, and market strengths.

It is well understood that the execution of this vision and strategies may take a long time and require significant investment. Hence, this report proposes a series of implementation strategies in the short run (within a year), the medium term (in 1-5 years) and in the long run (in 6-10 years) for various stakeholders to consider (see Table 6.1). These recommended strategies should set the stage for future dialogue so that local stakeholders in Sham Shui Po, Hong Kong policymakers,

[7] U.S production still dominates the worldwide box office today. For example, in 2021, the U.S. produced 1,318 movies and generated more than US$12 billion in revenue, which was estimated to be more than 63 percent of the estimated worldwide box office revenues. For more details, please refer to https://www.the-numbers.com/movies/country-breakdown/2021 .

textile manufacturers, and the designer community can work together to build a bright future for the fashion and textile industries in Sham Shui Po and beyond.

Back in 1997, a group of researchers from the Massachusetts Institute of Technology studied the development of Hong Kong industries and concluded with the following observation,

> "Even as traditional manufacturing in Hong Kong has shrunk, financial, trade, transportation, and other service have flourished. Hong Kong's leap into the future of information technology-driven connectivity and organization ranks it among world pioneers in creative use of the new technologies … We see a future for Hong Kong as a world-class industrial power. To realize such an ambition, Hong Kong needs to strike out in a new direction, as a leader in the production of new generations of products. The high-value-added goods of the twenty-first century will be *service-enhanced* products. Such products bring together manufacturing and services in ways that defy our conventional statistical categories. They bundle together in desirable combination the capabilities of advanced manufacturing systems and new possibilities in design, customization, rapid delivery, quality, and product novelty and uniqueness – all enabled by information technologies. …" (Berger and Lester, 1997, p. xiii)

This observation is still valid today and the call for Hong Kong industrialists to rely more on new technologies, design thinking, customization, and smart manufacturing is even more urgent given the competitive landscape Hong Kong industries are facing. However, after examining the development of the fashion and textiles industries in Hong Kong since 1997 and the rise of many new fashion hubs and textile manufacturing centers in different parts of the world, this study has concluded that while information technologies, design thinking, and smart manufacturing process are essential building blocks for the future success of Hong Kong's fashion and textile industries, they are far from sufficient. Based on interview results with local stakeholders, policy analysis of industrial trends, and case studies of the successful development of other fashion hubs, this study suggests that Hong Kong needs the following supporting factors beyond technological concerns:

- Building up a retail focal point and a sustainable business-to-consumer eco-system that will provide sustainable financial support and businesses for local designers and start-up companies to excel;

- Leveraging its cultural and historical assets, its unique strengths in East-West connections, and other Hong Kong cultural development to build unique brands and design attractiveness that are globally recognized;

- Taking advantage of Hong Kong's geographical advantages and close proximity to the Greater Bay Area, Mainland China, and Southeast Asia to achieve economies of scale, attract the best talent across cultures and continents, and build more synergy between design, manufacturing, design, and branding;

- Leveraging the depth and breadth of knowledge capital and business leadership of Hong Kong textile companies in the whole value-chain, the research capacity of top universities and institutes in Hong Kong, and direct access to factories, mills, and design studios still owned and operated by Hong Kong companies to tighten up the design-manufacturing connection and build more comprehensive and responsive informational capital and advantages;
- Building its sustainability edge and taking advantage of rising global concerns about climate change and wasteful fast fashion, the national agenda of the double-circular economic strategies and sustainable development of the Chinese government, and the regulatory governance reputation of Hong Kong to push for more rapid transformation toward sustainable fashion and textiles.

This study believes that the proposed Fashion and Creative District in Sham Shui Po will provide a much-needed platform to achieve these strategic advantages. Like our predecessors at the Massachusetts Institute of Technology, we are also optimistic about the industrial future of Hong Kong. We believe the 21st century will be an era of fashion and textile development that is not only "made by Hong Kong" but also "made in Hong Kong", "enhanced by Hong Kong", "designed and branded by Hong Kong" as well as "sold in Hong Kong."

Table 6.1 Action Plan for *Vision for Fashion 2047* and the Development of the Hong Kong Fashion & Creative District in Sham Shui Po

<table>
<tr><th rowspan="2">Policy Recommendations</th><th colspan="3">Action plans</th></tr>
<tr><th>Short term (<1 year)</th><th>Medium term (1-5 years)</th><th>Long term (6-10 years)</th></tr>
<tr><td>1. Establish a Fashion & Creative District in Sham Shui Po to support the future development of fashion and textile industries in Hong Kong.</td><td>Advocate for the establishment of Fashion & Creative Development Corporation (FCDC) as the managing and executive body of Fashion & Creative District in Sham Shui Po and seek potential collaborators and founding members.

Work with Sham Shui Po District Office, various stakeholders, and local residents to brand and promote the Fashion & Creative District in Sham Shui Po through street signs and neighborhood decoration.

Hold meetings with stakeholders to develop a master plan for the Fashion & Creative District and examine how it may relate to nearby cultural districts, such as Kwun Tong and West Kowloon Cultural Districts.

Identify possible space in to host events, festivals and fashion shows. Streamline the space application process.

Evaluate current policies related to the redevelopment of old industrial buildings (IB) and historical building perseveration. Develop policy recommendations that will provide more space for the development. Examine examples and best practices of other international cities.</td><td>Establish FCDC. Seek initial funding support from the HKSAR government (e.g., the Co-Investment Fund via the would-be-set-up Hong Kong Investment Corporation Limited (HKIC) proposed in the 2022 Chief Executive Policy Address), private donors, and foundations.

Develop and execute place-branding strategies for the proposed Fashion & Creative District. Begin to implement strategies proposed in the master plan and organize various local events.

Coordinate with the Planning Department, Urban Renewal Authority, and Town Planning Board to simplify regulations on IB conversion. Propose new regulations and legislations that balance historical preservation and economic and cultural development needs and preserve the unique character and the cultural and historical appeals of Sham Shui Po District.</td><td>FCDC successfully establishes various multi-sectoral collaborative mechanisms and strategies.

Increase the global visibility of the proposed Fashion & Creative District through events, publicity campaigns, and place branding strategies.

Continue to adjust the mapping strategies between indigenous assets and the needs of the Fashion & Creative District based on market conditions and local preferences.

Identify and develop iconic places to host local and international events that are appealing to visitors and global talents.

Begin to implement IB conversion and urban redevelopment plans to foster the development of the proposed Fashion & Creative District and address the long-term needs for space.</td></tr>
</table>

2. Develop a long-term strategic plan for the fashion and textile industries, *Vision for Fashion 2047*, and an action plan for the proposed Fashion & Creative District.	Organize cross-industry dialogues to further develop the master plan of *Vision for Fashion 2047*. Engage relevant stakeholders, especially Hong Kong Textile Council, Hong Kong General Chamber of Textiles, the Federation of Hong Kong Industries (FHKI), various design communities, HKRITA, various universities, and related governmental bureaus. Advocate for the development of the proposed Fashion & Creative District as a policy priority of HKSAR and solicit support from the Co-Investment Fund of the HKSAR government.	Launch collaborative initiatives by different sectoral entities and establish public-private collaborative mechanisms in the proposed Fashion & Creative District. Incorporate the development of the proposed Fashion & Creative District into the larger economic strategic plans for cultural development, creative art industries and tourism of Hong Kong. Ensure that "*Vision for Fashion 2047*" is part of the master plan to shape Hong Kong as an International Innovation and Technology Center and the East-meets-West Center for International Cultural Exchange, which was emphasized in the 2022 Policy Address. Synchronize the plan with the national "dual circulation economic strategies" and sustainable development.	Establish sound collaborative networks and policy incentives for cross-sectoral collaboration. Execute action steps laid out in the strategic plan of *Vision for Fashion 2047*. Actively participate in the national "dual circulation economic strategies" and in the sustainable development plan of the Greater Bay Area. Promote Hong Kong as a base for regulatory standard setting and monitoring for sustainable fashion in China and Asia.
3. Work with industries and professional communities to provide long-term, sustainable financial support for the proposed Fashion & Creative District.	In the short and middle run, fund should be raised from the government, private industries, and foundations, including the Co-Investment Fund of the HKSAR Government. Investigate and propose new financing mechanisms that can generate sustainable funding sources to support the proposed Fashion & Creative District. Examine international practices of public-private partnership (PPP), tax increment financing (TIF), impact financing, land value capturing, and revolving fund.		Establish and implement innovative and sustainable financing mechanisms to support the operations of FCDC. Implement impact investment strategies to support FCDC operations.

4. Organize multi-tiered, diverse events and activities to foster talent development and encourage local-international interactions and exchanges.	Develop new events and local fashion shows under the leadership of Sham Shui Po District Office and Hong Kong Design Centre, in collaboration with industries, various design communities, and HKSAR governmental bureaus.	FCDC takes over the coordinating work and organizes local, regional, and international events, fashion shows, and competitions in the proposed Fashion & Creative District. Attract star designers from New York, Korea, and other global fashion hubs to design for Hong Kong. Organize workshops to train and cross-fertilize local designers. Provide financial (e.g., seed funds), physical (e.g., co-working and maker spaces), as well as technical (e.g., laboratory equipment) support for start-ups that focus on high value-added products, sustainable fashion, and functional wearables that have potential to expand regionally and internationally.	Establish the proposed Fashion & Creative District as a globally recognized hub for high value-added wearables and sustainable fashion. Organize globally recognized events and industrial trade shows related to functional wearables and sustainable fashion. Successfully nurture a group of local designers and start-up companies that focus on high value-added wearables and sustainable fashion.
5. Cultivate and promote a welcoming and inclusive environment for global talents and international visitors.	Work with Sham Shui Po District Office, community organizations, and local businesses to promote Sham Shui Po District as an inclusive community. Implement place-branding initiatives, such as street signs, neighborhood decoration, and special events, to highlight the multi-cultural and multi-ethnic character of Sham Shui Po District.	FCDC, in collaboration with local industries, ethnic groups, governmental bureaus, as well as overseas design associations, organizes special events that promote multi-ethnic events and cross-cultural design. Develop special programs to welcome and attract global talents to work in the proposed Fashion & Creative District.	Establish the global brand of the proposed Fashion & Creative District as a welcoming and inclusive multi-cultural fashion hub in China and Asia. Successfully attract participants from other parts of Asia to join events and competitions organized by FCDC.

6. Develop top talents through education and collaboration among universities, research institutes, training institutes, businesses, professional bodies.	Organize more cross-sectoral and cross-disciplinary dialogues about the human capital needs of fashion and wearable industries. Conduct talent gap analysis of the whole value chain of fashion and wearable industries. Examine and develop policy incentives that foster more industry-university collaboration to develop and nurture top talents for fashion and wearable industries.	Develop and execute talent development programs that start at secondary school and offer diverse educational and training opportunities through undergraduate, graduate, and continuing educational programs. Implement industry-university collaborative programs that foster talent development in Hong Kong and the Greater Bay Area. Organize regular events, competition and workshops to discover and develop local talents in Hong Kong and in the Greater Bay Area.	Develop talent-cultivation programs that not only attract local talents but also regional and international applicants. Increase the global exposure of selected local and regional talents and promote start-up firms in the proposed Fashion & Creative District nationally and internationally
7. Foster more industry-university collaboration that create high value-added services and products.	Organize more cross-sectoral and cross-disciplinary dialogues among industries, trade associations, HKRITA, HK Productivity Council, and CITA about the latest development and discover the knowledge gap of the industries. Re-examine the effectiveness of existing programs, such as ITF programs, and develop new policy incentives, if needed, that foster more industry-university collaboration to support commercialization and develop high-value added products and services in the whole value chain.	FCDC plays a coordinating role and supports the "Research, Academic and Industry Sectors One-plus Scheme" (RAISe+ Scheme) proposed in the 2022 Chief Executive Policy Address. FCDC organizes regular dialogues and exchanges that foster industry-university collaboration and support new product development. FCDC works with various universities, including their campuses in GBA, to launch start-up companies in the proposed Fashion & Creative District.	Launch and nurture new start-up companies and locate them in the proposed Fashion & Creative District. Coordinate and nurture new start-up companies in the Greater Bay Area and help them work closely with designers and firms in the proposed Fashion & Creative District.

8. Work with Guangdong Provincial Government and Shenzhen City Government to support more internship, exchange, practicum, and job training programs in Greater Bay Area.	Examine ways to encourage more understanding of the Greater Bay Area development among local students and remove barriers and misconception Launch new programs with universities of Hong Kong, especially those that will have campuses in the Greater Bay Area, to support more student exchanges between Hong Kong and GBA.	Provide financial incentives to local designers and students to work with manufacturers and firms in GBA via HKIC's GBA Investment Fund. Work with industries and universities in GBA to provide more internship, student exchange, and job training programs and make participation in the GBA programs a requirement for students. Establish these programs and pilot schemes by the existing GBA Investment Fund, the extended STEM Internship Scheme, as well as the HK$5billion Strategic Tech Fund put forth in the 2022 Chief Executive Policy Address. Involve and attract more manufacturers and design firms in GBA to participate in events organized by FCDC.	Regularize the interactions and collaborative programs between universities and industries in GBA. Connect with Hong Kong-Shenzhen Innovation and Technology Park (HKITP) to create sustainable cross-border collaboration and exchanges.

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Appendix I. The Development of Dongdaemun in Seoul, South Korea

by Andrew YUEN

Among the five wholesale fashion markets in the world that have a full-chain cluster of manufacturing factories and retail sellers nearby, Dongdaemun is the only one where shops and distributors operate until dawn. Hence, it has also been crowned the “Fashion Hub that never sleeps.” With a size of 585,700 square metres, Dongdaemun is a popular tourist attraction for both domestic and foreign visitors with its rich historical background, abundant shopping malls and convenient public transportation network. Particularly, after the opening of the Dongdaemun Design Plaza, the district has officially become a monumental landmark symbolising fashion, history, shopping, leisure and technology. With 30,000 stores in proximity, the area accommodates 100,000 employees in the fashion industry and 5 million foreign travellers per year. The Dongdaemun area was already a naturally-formed fashion hub when the Seoul Metropolitan Government started to position it as an urban planning focal point in 20023.

The development of Dongdaemun Fashion Hub can be divided into three main stages:

Phase 1 - Early Growth and Development (Pre-2002)

In the late Joseon Dynasty around the early 1900s, Dongdaemun started to serve as a shopping centre for Seoul citizens due to its accessible location in the northeast along the Cheonggye Stream. The market began to develop into its current form in the 1960s, as sewing factories and the Pyeonghwa Market opened after the Korean war. Across the next three decades, more fashion businesses were established in the area and fabric made in Dongdaemun became one of South Korea’s leading export products. Eventually, new wholesale and traditional complex shopping malls coexisted to form a comprehensive fashion market in Dongdaemun. At that time, each individual store was its own brand, and store owners would design clothes and place orders at one of the 20,000 or so small-sized manufacturing factories within the district. Most of the fashion companies were mini-sized family businesses, which were made possible due to the mutual support culture within the cluster. However, this human network-based business structure also became a major entry barrier for latecomers to Dongdaemun. Another problem during this period that is worth shedding light on is the severe imbalance among fashion industry stakeholders. In the 1990s, up to 71% of fashion businesses were distribution and selling, and manufacturing and sewing made up 26% of the market, while design and planning only consisted of 3%. As a result, even though Dongdaemun had a well-developed logistics and sales network, product development cycles were slow and inefficient. The fashion cluster remained its own natural ecosystem with little government intervention or support up till 2002, when the Dongdaemun fashion market was officially designated as the “Dongdaemun Fashion Town Special Tourism Zone,” which made it the largest special tourism zone in South Korea.

Phase 2 - Revitalization planning (2002-2010)

The next major development occurred in 2006, when the Seoul Metropolitan Government announced a Dongdaemun downtown recreation plan to develop the area as an important link between contemporary culture, emerging nature, and history. The plan included proposals to renovate Dongdaemun into a downtown oasis and for the establishment of the Dongdaemun

Design Plaza (DDP). The DDP would consist of a 30,000 square metre park and a seven-floor building, with eight strategic objectives: the development of creative and future designs, a strategic base of design businesses, a global design knowledge exchange system, a designer network platform, a hub of cultural and art activities, a global landmark for tourism, a creative environment and place of historical identity, and a downtown trading area promotion program. In November 2006, the Seoul Metropolitan Government held an ideation contest for citizens to submit their opinions on the DDP project. These ideas were then shared with invitees of the International Nominated Design Competition, and Zaha Hadid won the competition as the lead architect of DDP. Upon completion of construction, the Dongdaemun History & Culture Park was opened on 27th October 2009 and the Dongdaemun Design Plaza was opened on 21st March 2014.

As a cultural hub to promote the growth of the design and fashion industries, the DDP has a wide variety of spaces for both the general public and designers: Exhibition Halls, Design Labs, Conference Halls, Seminar Rooms, a Designers' Lounge, Design Markets etc. The government also implemented a series of supporting strategies, such as organising the Seoul Fashion Week and Trade Fair at the DDP and kickstarting the Dongdaemun Business Area Revitalization Plan in 2008. Various tourism events and performing arts shows were also organised to promote the DDP as the junction connecting the complex cultural corridors of Daehakro, Heunginjimun, Dongdaemun, and Mt. Namsan.

Phase 3 - Growth (2010-2020)

Before and after the opening of the Dongdaemun Design Plaza, the Seoul Metropolitan Government contributed significant resources to break away from the outdated image of Dongdaemun. Along with the launch of the Hi Seoul Showroom and after operating various exhibitions, fairs, forums, expositions and shows, both the DDP and Dongdaemun had gradually emerged as trendy tourist destinations for both Koreans and foreigners.

From 2011 to 2017, the government announced three development plans with regards to the strategic foci of Dongdaemun’s development. Firstly, Dongdaemun Fashion. The Korean government’s Industry Revitalization Plan included a 4P Strategy to set up anchor facilities, encourage balance throughout the fashion value chain and create an online fashion market. In 2016, the government announced the second Fashion Cluster Construction Plan to transform Dongdaemun into a world-leading fashion district. Major focus areas included local tourism, nurturing creative talents, and supporting fashion business operations. Lastly, the Dongdaemun Market Restructuring Strategy was established in 2017 to increase the global competitiveness of Korean brands and domestic designers.

Table A.1: 4P Strategy Announced in 2011

Product	**Process**
- Target the middle to low-middle price point market - Transform local brands into specialty store retailers - Discover niche markets - Operate market research organisations - Set up the Fabric Development Research Centre	- Designate leading companies to boost development of the fashion industry value chain - Begin collaboration between KOTRA, local governments and relevant departments - Set up centralised control department (For planning, manufacturing and selling)
Place	**People**
- Develop domestic brands' global market strategies - Prepare to become an online marketplace - Incorporate "Storytelling" elements into Dongdaemun - Build exhibition and convention halls - Become a shopping info centre for tourists from all over the world - Set up a data centre for trends, fabrics and fashion content	- Discover new talent and management capabilities of skilled personnel - Nurture talents, especially in sewing and fashion design areas - Attract foreign workers - Establish a career and job matching centre for the fashion industry - Set up design and sewing education centres - Set up shared working space for 1-man fashion companies

Appendix II. The Transformation of the Clothing Industry in Shanghai

by David Chun-Wai MAN

Starting from the 1990s, the textile industry in Shanghai experienced rapid downsizing in order to meet changing urban demands and transition Shanghai city functions of Shanghai, i.e., basically to head towards a service-and-export-based economy, like many other traditional secondary industries. Within the five years between 1993 and 1997, Shanghai closed half of the state-owned textile factories. More than 270,000 workers were laid off, as the sector went from 550,000 to 280,000 workers. This situation matched with a larger picture – that the proportion of industrial enterprises in urban districts of Shanghai dropped from 50.6% in 1985 to 22.5% in 1997, whilst their gross industrial output fell drastically from 71.6% to 28.8% within the same period (Zhang, 2003). Traditional industries were moving inland to other relatively less-developed provinces.

Even so, benefitted by its strong historical basis and rich expertise, rather than simply being hollowed out, the textile industry in Shanghai has in fact been coming back with a new face. The industry has never disappeared but has been upgrading and transforming for the past twenty-plus years. Knowing well that its initial comparative advantages of low rent and labor costs, and diverse and scattered small companies are no longer a reality for the city, Shanghai inaugurated a new route. As Mr. Tung Zi-sheng, Chairman and Party Secretary of what was formerly Shangtex Holding Corporation, a leading Shanghai-founded textile giant, explained,

> "With the large-scaled strategic modulation in the past decades of industrial, enterprise, capital, and labor force structures, the entire textile domain [in Shanghai] has been transforming to service-intensive and fashion-oriented retail and trading, away from the conventional labor-intensive model. The industry, nowadays, is on a path which blends advanced manufacturing and modern services with high technologies and fashion innovation." [Xinhua Net, 2017]

Shangtex helped break the mistimed concept of textiles being used merely to cover bodies and keep warm, to their use as value-added items ranging from functional garments to specialized products for other realms. The company has been conducting a large volume of research on new materials and fibers in collaboration with the Shanghai government and different research labs, aiming to bring more personalized choices to customers, as well as functional wearables to targeted groups such as patients. It has also sought to promote national utilities in different aspects. For example, the company completed the invention and testing of super heat-proof fabric for the first-generation Chinese-manufactured C919-modeled airplane (Xinhua Net, 2017).

Shanghai's deep-rooted entrepreneurship, strong financial institutions, and the global mindset of Shanghai companies have played critical roles in "revitalising" its textile industry. For example, Shangtex took note of world-famous fashion cities like New York and Paris, and believed that with the aid of high-tech, textiles is not a declining industry. It therefore launched a global buyout of the internet company IAC, purchasing 35 percent of its stock directly from NYX, a used vehicle textile production company. Shangtex has since became the second largest China's textile group, employing approximately 70 thousand personals with company asset valuing more than 45,000 million RMB.

Shanghai's latest fashion development is on the same page with Beijing's narrative to achieve achieving a "green, low-carbon lifestyle," documented in its 2021 carbon-reduction action plan (State Council of PRC Webpage, 2021). As early as 2016, the Shanghai Fashion Week Organising Committee has emphasized green garments, and in 2022, a five-day panel on sustainable fashion was convened for the first time with over 60 speakers (Shanghai Fashion Week Webpage, 2022). LU Xiaolei, vice secretary general of the committee told the South China Morning Post (Jiang, 2022) that the rationale behind this is to help shape a green consumption mindset even it takes time and effort to bring real paradigm shift. To boost green awareness of the next generation, Shangtex is also pursuing partnership with Istituto Marangoni, an outstanding fashion school in Italy, targeting on utilizing fashion designs to meet new societal needs. Here again Shangtex offers an illustration. The Shanghai municipal government offered financial, physical, and technical support to Shangtex. With various types of support, Shangtex successfully led the worldly-recognised "Shanghai Fashion Week", which has stepped into the 20th Anniversary. The event has launched strategic collaboration agreements with counterparts in Milan, Paris, London, Tokyo, Germany, Holland, and Dubai. In 2022, it featured heavily on sustainability.

Shanghai's textile industry has also displayed strong resilience and flexibility in the face of peer competition – both in the country and from outside. The city takes its position by combining historical assets with modern innovations along the entire industrial chain, covering new fabric R&D, global sourcing, product design, retail and exportation, post-sale services, and fashion exhibition. Governmental supervision and policy support are also crucial for Shanghai's success (People.cn, 2017).

Underpinned by strong yet mouldable textile-industrial capitals, Shanghai fashion hub is continuously re-orienting itself along with the global trend – and this makes the city vivid as always.

Appendix III. Industry Sub-Class Data Covered in the Analysis (2000 v.s. 2021)

Source: Census and Statistics Department, HKSAR Government, various years.

Sub-class only appeared in 2000

Sub-class only appeared in 2021

	Year	HSIC V2.0 code	Industry sub-class	Year	HSIC V2.0 code	Industry sub-class
1	Year	HSIC V2.0 code	Industry sub-class	Year	HSIC V2.0 code	Industry sub-class
2						
3						
4	2000	131102	Spinning, cotton	2021	131104	Spinning, synthetic fibre
5	2000	131103	Spinning, wool	2021	131199	Spinning n.e.c.
6	2000	131104	Spinning, synthetic fibre	2021	131201	Weaving, cotton
7	2000	131199	Spinning n.e.c.	2021	131301	Textile stencilling and printing of fabrics
8	2000	131201	Weaving, cotton	2021	131302	Textile stencilling and printing of garment
9	2000	131202	Weaving, wool	2021	131303	Bleaching and dyeing of yarn
10	2000	131203	Weaving, silk	2021	131304	Bleaching and dyeing of woven fabrics
11	2000	131204	Synthetic fibres weaving	2021	131305	Bleaching and dyeing of knitted fabrics
12	2000	131299	Weaving, blend fibre and other textiles n.e.c.	2021	131306	Bleaching and dyeing of garment
13	2000	131301	Textile stencilling and printing of fabrics	2021	131307	Garment washing (excl. laundering)
14	2000	131302	Textile stencilling and printing of garment	2021	131399	Textile finishing n.e.c.
15	2000	131303	Bleaching and dyeing of yarn	2021	139101	Knitting or crocheting of fabrics, cotton
16	2000	131304	Bleaching and dyeing of woven fabrics	2021	139102	Knitting or crocheting of fabrics, wool
17	2000	131305	Bleaching and dyeing of knitted fabrics	2021	139199	Knitting or crocheting of fabrics n.e.c.
18	2000	131306	Bleaching and dyeing of garment	2021	139201	Manufacture of canvas products
19	2000	131307	Garment washing (excl. laundering)	2021	139202	Manufacture of bed articles
20	2000	131399	Textile finishing n.e.c.	2021	139203	Manufacture of sails and flags
21	2000	139101	Knitting or crocheting of fabrics, cotton	2021	139204	Button holing, seaming and pleating
22	2000	139102	Knitting or crocheting of fabrics, wool	2021	139205	Curtain or drapery cutting and sewing
23	2000	139199	Knitting or crocheting of fabrics n.e.c.	2021	139206	Manufacture of silkscreen for printing (excl. textile stencilling and printing)
24	2000	139201	Manufacture of canvas products	2021	139207	Ribbon and tape cutting (excl. weaving of label and narrow fabrics)
25	2000	139202	Manufacture of bed articles	2021	139299	Manufacture of made-up textile articles (except apparel) n.e.c.
26	2000	139203	Manufacture of sails and flags	2021	139500	Weaving, labels (excl. laces, ribbon/tape, ropes, twines and cordage)
27	2000	139204	Button holing, seaming and pleating	2021	139600	Manufacture of embroidery
28	2000	139205	Curtain or drapery cutting and sewing	2021	139900	Manufacture of other miscellaneous textiles n.e.c.
29	2000	139206	Manufacture of silkscreen for printing (excl. textile stencilling and printing)	2021	141101	Manufacture of outer garments (excl. leather garment, raincoat, knitwear from yarn)
30	2000	139207	Ribbon and tape cutting (excl. weaving of label and narrow fabrics)	2021	141102	Tailoring (excl. custom tailoring without workshop)
31	2000	139299	Manufacture of made-up textile articles (except apparel) n.e.c.	2021	141103	Manufacture of raincoats
32	2000	139401	Manufacture of fishing nets	2021	141104	Manufacture of under garments and night garments
33	2000	139402	Manufacture of rope	2021	141105	Manufacture of leather garments
34	2000	139403	Manufacture of shoe laces	2021	141199	Manufacture of garments and clothing n.e.c.
35	2000	139404	Manufacture of twine	2021	141901	Manufacture of gloves (excl. plastic and rubber gloves)
36	2000	139500	Weaving, labels (excl. laces, ribbon/tape, ropes, twines and cordage)	2021	141902	Manufacture of headgear (excl. straw headgear, plastic and metal and fibreglass helmet)
37	2000	139600	Manufacture of embroidery	2021	141903	Manufacture of waist belts

38	2000	139700	Manufacture of laminated cloth	2021	141904	Manufacture of neckwear
39	2000	139900	Manufacture of other miscellaneous textiles n.e.c.	2021	141999	Manufacture of other miscellaneous wearing apparel n.e.c.
40	2000	141101	Manufacture of outer garments (excl. leather garment, raincoat, knitwear from yarn)	2021	142000	Manufacture of articles of fur
41	2000	141102	Tailoring (excl. custom tailoring without workshop)	2021	143200	Manufacture of knitted and crocheted outerwear (excl. garment not knitted, raincoat, leather garment)
42	2000	141103	Manufacture of raincoats	2021	143300	Manufacture of knitted and crocheted underwear
43	2000	141104	Manufacture of under garments and night garments	2021	151100	Tanning and dressing of leather; dressing and dyeing of fur
44	2000	141105	Manufacture of leather garments	2021	151200	Manufacture of luggage and handbags (excl. plastic shopping bags)
45	2000	141199	Manufacture of garments and clothing n.e.c.	2021	151901	Manufacture of wrist watchbands, leather or non-metallic
46	2000	141901	Manufacture of gloves (excl. plastic and rubber gloves)	2021	151999	Manufacture of miscellaneous products of leather and leather substitutes n.e.c. (excl. footwear and wearing apparel)
47	2000	141902	Manufacture of headgear (excl. straw headgear, plastic and metal and fibreglass helmet)	2021	152000	Manufacture of footwear
48	2000	141903	Manufacture of waist belts	2021	282600	Manufacture of machinery for textile, apparel and leather production
49	2000	141904	Manufacture of neckwear	2021	451202	Export trading of cotton, textile fibre and yarn
50	2000	141999	Manufacture of other miscellaneous wearing apparel n.e.c.	2021	451203	Export trading of leather (incl. imitation leather and other plastic sheetings)
51	2000	142000	Manufacture of articles of fur	2021	451401	Export trading of footwear and shoe accessories
52	2000	143100	Manufacture of knitted and crocheted hosiery (incl. all materials)	2021	451402	Export trading of fabrics
53	2000	143200	Manufacture of knitted and crocheted outerwear (excl. garment not knitted, raincoat, leather garment)	2021	451403	Export trading of tailoring accessories and trimming materials
54	2000	143300	Manufacture of knitted and crocheted underwear	2021	451404	Export trading of wearing apparel
55	2000	151100	Tanning and dressing of leather; dressing and dyeing of fur	2021	451405	Export trading of embroidery and drawn works
56	2000	151200	Manufacture of luggage and handbags (excl. plastic shopping bags)	2021	451406	Export trading of household linen, drapery, carpets, rugs and allied products
57	2000	151901	Manufacture of wrist watchbands, leather or non-metallic	2021	451407	Export trading of rope, cord and netting appliances
58	2000	151999	Manufacture of miscellaneous products of leather and leather substitutes n.e.c. (excl. footwear and wearing apparel)	2021	451408	Export trading of umbrellas
59	2000	152000	Manufacture of footwear	2021	451411	Export trading of luggage cases, handbags and similar articles of leather or leather substitutes
60	2000	282600	Manufacture of machinery for textile, apparel and leather production	2021	451438	Export trading of sacks and bags (excl. handbags and travelling bags)
61	2000	451202	Export trading of cotton, textile fibre and yarn	2021	451632	Export trading of sewing machines and parts (incl. stands)
62	2000	451203	Export trading of leather (incl. imitation leather and other plastic sheetings)	2021	452202	Import for wholesale of cotton, textile fibre and yarn
63	2000	451401	Export trading of footwear and shoe accessories	2021	452203	Import for wholesale of leather (incl. imitation leather and other plastic sheetings)
64	2000	451402	Export trading of fabrics	2021	452401	Import for wholesale of footwear and shoe accessories
65	2000	451403	Export trading of tailoring accessories and trimming materials	2021	452402	Import for wholesale of fabrics
66	2000	451404	Export trading of wearing apparel	2021	452403	Import for wholesale of tailoring accessories and trimming materials
67	2000	451405	Export trading of embroidery and drawn works	2021	452404	Import for wholesale of wearing apparel
68	2000	451406	Export trading of household linen, drapery, carpets, rugs and allied products	2021	452405	Import for wholesale of embroidery and drawn works
69	2000	451407	Export trading of rope, cord and netting appliances	2021	452406	Import for wholesale of household linen, drapery, carpets, rugs and allied products
70	2000	451408	Export trading of umbrellas	2021	452407	Import for wholesale of rope, cord and netting appliances
71	2000	451411	Export trading of luggage cases, handbags and similar articles of leather or leather substitutes	2021	452408	Import for wholesale of umbrellas
72	2000	451632	Export trading of sewing machines and parts (incl. stands)	2021	452411	Import for wholesale of luggage cases, handbags and similar articles of leather or leather substitutes
73	2000	452202	Import for wholesale of cotton, textile fibre and yarn	2021	452438	Import for wholesale of sacks and bags (excl. handbags and travelling bags)
74	2000	452203	Import for wholesale of leather (incl. imitation leather and other plastic sheetings)	2021	452632	Import for wholesale of sewing machines and parts (incl. stands)
75	2000	452401	Import for wholesale of footwear and shoe accessories	2021	460202	Wholesale of cotton, textile fibre and yarn
76	2000	452402	Import for wholesale of fabrics	2021	460203	Wholesale of leather (incl. imitation leather and other plastic sheetings)

77	2000	452403	Import for wholesale of tailoring accessories and trimming materials	2021	460401	Wholesale of footwear and shoe accessories
78	2000	452404	Import for wholesale of wearing apparel	2021	460402	Wholesale of fabrics
79	2000	452405	Import for wholesale of embroidery and drawn works	2021	460403	Wholesale of tailoring accessories and trimming materials
80	2000	452406	Import for wholesale of household linen, drapery, carpets, rugs and allied products	2021	460404	Wholesale of wearing apparel
81	2000	452407	Import for wholesale of rope, cord and netting appliances	2021	460406	Wholesale of household linen, drapery, carpets, rugs and allied products
82	2000	452408	Import for wholesale of umbrellas	2021	460408	Wholesale of umbrellas
83	2000	452411	Import for wholesale of luggage cases, handbags and similar articles of leather or leather substitutes	2021	460411	Wholesale of luggage cases, handbags and similar articles of leather or leather substitutes
84	2000	452632	Import for wholesale of sewing machines and parts (incl. stands)	2021	460632	Wholesale of sewing machines and parts (incl. stands)
85	2000	460202	Wholesale of cotton, textile fibre and yarn	2021	475101	Retail sale of fabrics
86	2000	460203	Wholesale of leather (incl. imitation leather and other plastic sheetings)	2021	475102	Retail sale of tailoring accessories and trimming materials
87	2000	460401	Wholesale of footwear and shoe accessories	2021	475103	Retail sale of knitting yarn
88	2000	460402	Wholesale of fabrics	2021	475104	Retail sale of embroidery and drawn works
89	2000	460403	Wholesale of tailoring accessories and trimming materials	2021	475105	Retail sale of household linen
90	2000	460404	Wholesale of wearing apparel	2021	475106	Retail sale of drapery (incl. blinds and curtains)
91	2000	460405	Wholesale of embroidery and drawn works	2021	475107	Retail sale of rope, cord and netting appliances
92	2000	460406	Wholesale of household linen, drapery, carpets, rugs and allied products	2021	475199	Retail sale of other textiles or textiles of several kinds
93	2000	460407	Wholesale of rope, cord and netting appliances	2021	475300	Retail sale of carpets, rugs, wall and floor coverings
94	2000	460408	Wholesale of umbrellas	2021	475904	Retail sale of canvas and canvas products
95	2000	460411	Wholesale of luggage cases, handbags and similar articles of leather or leather substitutes	2021	477101	Retail sale of footwear and shoe accessories
96	2000	460632	Wholesale of sewing machines and parts (incl. stands)	2021	477102	Retail sale of wearing apparel
97	2000	475101	Retail sale of fabrics	2021	477103	Retail sale of umbrellas
98	2000	475102	Retail sale of tailoring accessories and trimming materials	2021	477104	Retail sale of luggage cases, handbags and similar articles of leather or leather substitutes
99	2000	475103	Retail sale of knitting yarn	2021	477199	Combined retail sale of clothing, footwear and leather articles
100	2000	475104	Retail sale of embroidery and drawn works	2021	477406	Retail sale of sacks and bags (excl. handbags and travelling bags)
101	2000	475105	Retail sale of household linen	2021	477421	Retail sale of sewing machines and parts (incl. stands)
102	2000	475106	Retail sale of drapery (incl. blinds and curtains)	2021	751300	Fashion design services (incl. accessories)
103	2000	475107	Retail sale of rope, cord and netting appliances	2021	751400	Industrial design services
104	2000	475300	Retail sale of carpets, rugs, wall and floor coverings	2021	953300	Repair of footwear and leather goods
105	2000	475904	Retail sale of canvas and canvas products			
106	2000	477101	Retail sale of footwear and shoe accessories			
107	2000	477102	Retail sale of wearing apparel			
108	2000	477103	Retail sale of umbrellas			
109	2000	477104	Retail sale of luggage cases, handbags and similar articles of leather or leather substitutes			
110	2000	477199	Combined retail sale of clothing, footwear and leather articles			
111	2000	477406	Retail sale of sacks and bags (excl. handbags and travelling bags)			
112	2000	477421	Retail sale of sewing machines and parts (incl. stands)			
113	2000	751300	Fashion design services (incl. accessories)			
114	2000	751400	Industrial design services			
115	2000	953300	Repair of footwear and leather goods			

Note: Sub-class only appeared in 2000:

131102 Spinning, cotton
131103 Spinning, wool
131202 Weaving, wool
131203 Weaving, silk
131204 Synthetic fibres weaving
131299 Weaving, blend fibre and other textiles n.e.c.
139401 Manufacture of fishing nets
139402 Manufacture of rope
139403 Manufacture of shoe laces
139404 Manufacture of twine
139700 Manufacture of laminated cloth
143100 Manufacture of knitted and crocheted hosiery (incl. all materials)

Sub-class only appeared in 2021:

451438 Export trading of sacks and bags (excl. handbags and travelling bags)

452438 Import for wholesale of sacks and bags (excl. handbags and travelling bags)

475199 Retail sale of other textiles or textiles of several kinds