



The Hong Kong
Shippers'
Council
香港付貨人委員會

CHAIRMAN'S MESSAGE

Slowing down of

The optimism we had as we entered January 2011 was tempered by restraint brought on by what we foresaw as challenges to shippers in the form of depressed prices and sharply rising costs. As we progressed into 2011, however, the recovery in 2010 seemed to make headway into 1H 2011, until the 2nd half when exports from China begun to slow down.

Manufacturing reforms had been ongoing in southern cities and labour wages were rising: these were two reasons for PRD-based manufacturers to start looking elsewhere to set up new manufacturing bases or, worst still, close down their factories. The economic problems in Hong Kong and China's two major markets, the EU and the US, were worsening, which brought on a third challenge: the lack of orders.

Trade in Asia Pacific has been steadily increasing these past few years. As manufacturers slowly divested their production facilities in southern China, some moved towards the hinterlands in China and, with the aid of logistics providers, set up new facilities in green areas. Some moved to other Asian locations, such as Thailand, Vietnam, Cambodia, and Indonesia. According to ANZ, the largest banking group in New Zealand and the Pacific, intra-Asia trade flow today is worth US\$1.6 trillion. The Asia-Pacific region will experience the fastest growth in trade over the next decade.

In the last quarter of 2011, all eyes were on Europe as it became apparent that the Eurozone debt crisis was very



Willy Lin, Chairman

deep and becoming widespread. Italy and Spain were the latest countries to need a bailout. The US, with its financial and banking woes, was also having a hard time climbing out of the depth of its problems. A crucial Euro summit on Dec 8-9 saw the wealthier EU nations promising to lend financial support to the IMF that would dole out the bailout packages and fresh loans. The summit did little to convince anyone that a solution had been found and has caused even more problems than the solutions that everyone had expected.

The Hong Kong Trade Development Council is seeing a recession looming in Europe because of the unsolved debt crisis. In the US, the economy will be hindered by high joblessness and the lacklustre housing market. With consumer confidence further impaired by repercussions of the European sovereign debt crisis, says the TDC, many recession-induced buying habits will likely prevail. In all likelihood, consumers will continue to go back to basics, and the sales outlook for competitively priced

Chairman

Mr Willy Lin

Vice Chairman

The Hon. Jeffrey Lam

Members

Mr Roy Chung
Mr H. Y. Hung
Mr Eddy Lee
Mr Paul Tsui
Mrs Katherine Ngan
Mr V K Parekh
Mr Y Kit Szeto
Mr Eric Sun
Mr Stanley Szeto
Ms Margaret Fong
Mr Patrick Wong
Mr Ricky Wong
Mr Yeung Chun Fan

Executive Director

Mr Sunny Ho

trade in 2012

products that are stylish, safe and environmentally friendly appears to be more encouraging.

Overall, the TDC's exports forecast for 2012 is that the world economy may still see some hesitant growth and Hong Kong exports should just expand slightly in value.

Year-end rises

On Transpacific shipping, although peak seasons were weak, consumer demand was still strong and there was sales growth during the traditional US Thanksgiving buying season and 3.5% growth over last year for the Christmas season. Since the beginning of the year to October, the container throughput at the Hong Kong port was growing at 3.6%, and even showed a hefty growth of 8% for the month of October.

China's foreign trade rose 17.6% in November compared to October 2010. Exports were up 13.8% while imports also were up by 22.1%. Some saw the growth in imports as a sign of a stimulated domestic economy. Hong Kong has been positioning itself to shift some of its export production in the Mainland towards the domestic market. Moreover, the Hong Kong government has commissioned studies on the prospects of Hong Kong as a Regional Distribution Centre (RDC). The infrastructure is already in place and the completion of the ZHMB (Zhuhai Hong Kong Macau Bridge) will provide a convenient link to the Western parts of China that are not coastal. The bridge will serve as a conduit for cargo being manufactured

in the hinterlands that previously took longer to get here by water.

In fact, China put in a section about Hong Kong acting as a regional distribution centre in its latest Five-Year Plan for the National Economic and Social Development of the People's Republic of China, promulgated in March 2011. For the first time, a chapter dedicated to Hong Kong points out the significant role Hong Kong plays in the development strategy of the country. The chapter strongly supports Hong Kong's development as a high-value goods inventory management and regional distribution centre.

But not only because of its proximity and strategic location to the Mainland, there is also another contributing factor to Hong Kong's improved access to the Mainland markets. The Closer Economic Partnership with the Mainland was inked before China's membership to WTO, and it gave Hong Kong companies an early edge to the liberalisation of Mainland markets. The terms of CEPA were stipulated and signed on June 29, 2003, and cover three broad areas, the first being trade in goods which stipulate that all goods of Hong Kong origin imported into the Mainland enjoy tariff free treatment, upon application by local manufacturers and upon the CEPA rules of origin being agreed and met. The agreement on trade in services allows Hong Kong service suppliers preferential entry into various Mainland service areas. Thirdly, the facilitation on trade and investment allows both sides to enhance co-operation in various

areas to improve the overall business environment.

The Logistics Development Council wants to see the continued prosperity of Hong Kong and is aiming to rejuvenate the hub status of Hong Kong by encouraging logistics operators to use it as a regional distribution centre. Already, Hong Kong has become more of a transshipment port for cargo bound for Europe, the US and intra-Asia.

The government, however, must ensure that there is enough land to accommodate distribution centres where logistics providers can supply the necessary supply chain functions for onward distribution. The Logistics Park project that has been discussed for many years now could provide the facilities necessary to make Hong Kong a regional center.

With elections coming up this year in Hong Kong, politicians should be better informed by the policies the government has formed on logistics as it is the vital machinery that makes trade function efficiently.

The development of Hong Kong as a regional distribution centre means more opportunities to capture the booming intra-Asia trade, even while structural problems plague the economies of our largest trading partners, the US and the EU. We hope that the demand for goods from China and Asia as a whole will continue to grow in 2012. But we should not be complacent and continue to seek out new markets and work towards strengthening Hong Kong's role as a regional distribution centre.