



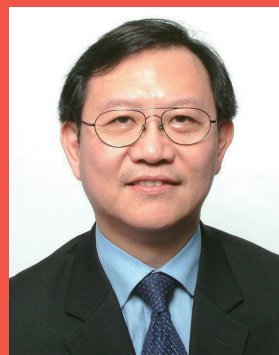
**The Hong Kong
Shippers'
Council**
香港付貨人委員會

■ CHAIRMAN'S MESSAGE

Responding to 'Rise

I just returned from a Hong Kong logistics mission to Wuhan and Zhengzhou, in response to the call of the "Rise of Central China." The visit reinforced my belief that there is urgency for the Hong Kong logistics sector to take progressive moves in order to sustain growth for the industry and safeguard Hong Kong's position as a logistics hub. It would be exaggerated to say that at present there are ample business opportunities in Central China for Hong Kong logistics operators, especially for those whose core business is still exporting to traditional western markets. Frankly, the bulk of business opportunities over there at present are related to domestic trade and regional and local distribution.

However, from the development blueprints delineated by local government officials and the modern and massive infrastructure and facilities we saw during our visit, I do see an urgency for Hong Kong's logistics sector to obtain a greater foothold in the upstream and downstream of the supply chain in that region. Hong Kong's logistics industry should not be contented with the city's role as a gateway for imports to China and as a regional distribution centre. Indeed, these are all intermediary roles and Hong Kong is easily replaced by other choices. An example is Hong Kong's role as a gateway for China's exports, one that has been diminished over the years by the diversion of cargo to other places in the region.



Willy Lin, Chairman

To guarantee the continued success of Hong Kong as a regional logistics and distribution hub, greater control over the region's supply chain and bigger stake holdings in logistics is the answer. The industry, in my opinion, needs the greater involvement of the SAR Government in the process, especially in representing and organizing the Hong Kong business sector in these target areas.

China has accelerated its Free Trade Agreement (FTA) negotiations with its trading partners. At present, it has FTAs with ten regions, namely, ASEAN, Chile, Pakistan, New Zealand, Singapore, Peru, Costa Rica, Hong Kong SAR, Macau SAR, Taiwan, with a few more on the pipeline.

The results of FTAs are very positive. Bilateral trade between China and ASEAN has been growing at an annual rate of around 23% since the signing of the FTA. In 2011, bilateral trade amounted to US\$362 billion between

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of Central China' call

the two blocks, up 23.8% year-on-year. In 2010, it amounted to US\$293 billion.

For trade under Form E, in Jan-Oct 2010, China exported US\$23.1 billion of goods to ASEAN and imported US\$22.3 billion with tariff concession amounted to US\$1.2 billion.

The importance of an FTA is not only in having a more liberal trade regime but it covers trade in services as well. It also fosters the construction of a more transparent investment and trading environment. As of Nov 2011, ASEAN invested US\$70 billion in China and China US\$133.3 billion in ASEAN. In addition to the China-ASEAN (10+1) FTA, there are talks of 10+3 (Japan and South Korea), 10+6 (Australia, New Zealand and India) and the TPP advocated by the US.

Even though these negotiations are no easy tasks and complicated by other issues especially political issues, the trend is towards further liberalization and integration. Indeed, instead of waiting for all parties to reach a consensus, some governments are holding bilateral talks and fostering cooperations. China has just signed a joint venture agreement with the Malaysian government on the China-Malaysia Qinshou Industrial Park in April, and a similar set up is planned in Malaysia.

Hong Kong has to make sure that it would not be left by the wayside. For instance, Hong Kong could lose

business from cargo transshipped via Hong Kong for China-ASEAN and China-Taiwan shipments. We learn from logistics operators that some of their clients are questioning the efficacy of transshipping via Hong Kong and are beginning to ask for direct shipments. To ensure Hong Kong would not be disadvantaged, Hong Kong should become a part of all FTA negotiations. Although Hong Kong is not a sovereign state, it could initiate discussions among the Customs authorities. Hong Kong is an individual member in the World Customs Organisation (WCO) and should be able to take up a more active role in the establishment of a well-defined and effective transshipment regime. To enhance security, reliability and to facilitate trade, we would like to see agreements on the use of technology such as RFID, e-seal, e-lock, e-platform for sharing of data and information, and transmission of documents, etc.

Hong Kong, on its own, should accelerate its FTA talks with the said economies. Hong Kong always been seen as a very free economy so that there are really few concessions that Hong Kong has to offer. An FTA with New Zealand, for instance, is a good start. Hong Kong should also accelerate its Exemption from Double Taxation Agreement with its trading partners.

Hong Kong and its trade sector can only benefit from a review of the territory's transshipment, and import and export regimes which may be

hampering trade and is not efficient enough to meet the demands of trade nowadays. An industry review would serve to increase the efficiency that Hong Kong has become well-known for. Both Government and the industry should see to it that the wheels of trade are well-oiled and running smoothly.

At present, with the exception of direct transshipments at port, airport and under carriers' custody (i.e. in the carriers' through B/L), cargo passing through Hong Kong has to go through the import and re-export process. Could this process be relaxed and simplified by the certified operator scheme, or certified cargo centre scheme, etc, like those practiced in Singapore? Hong Kong Customs will need to obtain all the relevant cargo data, but could the process be improved by automatic data interface with logistics operators? A more efficient regime to simplify and expedite the import and re-export process should be adopted for transshipments passing through Hong Kong.

Accelerating Hong Kong's trade ties with its neighbours in Asia Pacific will greatly enhance its position as a Regional Distribution Centre. The SAR Government has a great deal to do in order to achieve this goal. As a logistics hub, Hong Kong needs to further entrench its stake holding in the up and downstream of the region's supply chain. The answer lies in greater public-private partnerships.