



The Hong Kong
Shippers'
Council

香港付貨人委員會



Willy Lin
Chairman

Be prepared for
all possible outcomes

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The last few months have been a very trying time for Hong Kong. Externally, we have been affected by the Sino-American trade war, and a weakening global economy. Internally, the chaos surrounding the extradition bill is threatening to derail the local economy. At time of writing, I am still waiting for a glimmer of light to appear at the end of the tunnel.

Air cargo dropped 6.8% in the first 7 months of the year, with sea cargo-throughput suffering an even heavier loss. Sadly the situation is going to get worse before it can ever start to improve. US importers stocked up last year, and we have seen a sharp drop in their orders since the second quarter of 2019. US buyers are asking exporters and manufacturers to absorb an increased tariff that is way beyond the rate covered by the manufacturers' margin. Our attempts to outsource production to South and Southeast Asia have accelerated, but this is no easy task. The setting-up of new production facilities takes time and has proven to be a challenge.

The global economy is weakening, with the IMF revising its economic growth forecast down from 3.3% to 3.2% for 2019, and the World Bank estimation is even lower, from 2.9% to 2.6% for 2019. Major economies have responded by lowering their interest rates, and

developing economies have reacted by devaluing their currencies. In truth, the global economy has been drifting rudderless ever since the 2008 world financial crisis. A replacement growth model has not yet been found to replicate the decades of high growth that were enjoyed before the bust, during the period of rapid globalisation, stable politics, heavy government debts and consumption on credit. Since 2008, authorities have simply been injecting liquidity into their economies, a desperate reaction that can hardly be viewed as a sustainable long-term growth model. This has resulted in uneven economies, and a rise in nationalism, protectionism and unstable politics, all of which work towards reducing trade.

The political turmoil in Hong Kong is as disheartening as it is damaging. Although I remain very confident in the underlying strength of Hong Kong's economy, and in the city's ability to recover from the recent period of chaos, damage has unquestionably been done to Hong Kong's image and position in the world economy. I strongly believe that Hong Kong's position as a separate Customs territory, a WTO member, a place where the rule of law is valued, and as a Special Administrative Region recognised by western economies, remains uncompromised by recent



civil unrest. Hong Kong remains, as it has always been, a focus for businesses and commerce in the region, and around the world.

A logical question to ask at this point is what can we traders and manufacturers do to help Hong Kong retain its relevance in the face of current adversity? Some may also ask what is the government's strategy to help boost trade and industry?

One should not, and must not, expect miracles. The current trade war is simply a manifestation of a larger struggle for dominance between rival super powers. Trade wars will linger, they may even intensify and spread. Our task, as traders and manufacturers should be to anticipate and prepare for a number of possible outcomes.

From this point on geographical diversification of procurement and production will be a necessary and vital requisite of our forward planning. It will not be easy. At best this approach will provide a few safe harbours, and offer some degree of shelter, as we ride out the stormy economic weather.

At the same time, companies will have to upgrade themselves through the adoption of new technology. One must have a vision and a plan for the future before one can move ahead. Our focus should be on

Industry 4.0 and Logistics 4.0. By utilising technology to up-scale I have witnessed successful cases where operation costs have come down and efficiency has improved substantially. We need to sharpen our competitiveness: it is our primary weapon in the struggle ahead.

We must look for new markets too. Selling to the Mainland and ASEAN countries is very different than to our traditional and established markets. Fortunately the BUD funds (Branding, Upgrading and Domestic Sales), and Export Marketing Fund offered by the Trade and Industry Department help provide financial support for traditional companies, giving them a chance to establish new offshore offices and factories targeting the US and domestic markets. It would be a mistake to put our feet up and relax in the comfort zone of our traditional markets, which, unfortunately, is shrinking.

While I appeal to the government to provide as much assistance as it can to trade and industry, I understand perfectly the restraints and limitations of its proactivity. The core role of the government is to provide a favourable and predictable environment for Hong Kong business, overall. As such, the government should take the lead in communicating to the international business community that it is still

very safe to come and do business in Hong Kong. The government should double, or triple, its commitment to strengthening Hong Kong's presence in the world arena. We are excited to see the recent initiatives announced by both the Financial Secretary, and the Secretary for the Commerce and Economic Development Bureau. The government will task the HKTDC, HKPC, Invest HK and the Hong Kong Mortgage Corporation Ltd to provide incentives in support of trade.

The government is currently providing over 40 funding schemes to trade and business. These range from technology upgrades, research and adoption, and market exploration and development, to marketing and branding, and so forth. The government should endeavour to keep the business sector abreast of all new initiatives and must further relax applications and simplify administration requirements for these funds. Government and trade need to work together in these unpredictable times, now, more than ever.

It is clear that Hong Kong businessmen have to re-sharpen their entrepreneurial skills in order to meet the looming crisis ahead. I implore the government – and all in trade and industry – to combine their efforts into looking outwards, and to the future.