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

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Waiting for a turn-around

The latter months of 2008 have been turbulent, with the sub-prime issue spinning off into a virtual financial meltdown that is now bringing about the much dreaded credit crunch which would affect every area and aspect of the economy and have a far reaching and substantial impact on the world economy.

The international trading sector has been hard hit, affecting Hong Kong and its major trading partners. In November, Hong Kong's exports by air dropped 19.5% compared with the same month a year ago, while imports dropped 17.1%. Exports via the Shenzhen ports dropped 14.8% and imports by 18.2%. Whilst we do not have Hong Kong seaport's import and export breakdown figures, the port's total throughput dropped 13.2% in November 2008 compared to a year ago. These double digit decreases clearly reflect the seriousness of the current market situation. Indeed, no one doubts that difficult times are ahead of us. But the question many are asking is, "when will there be a turn-around?"

Strong Thanksgiving retail sales in the US were nothing more than a short-lived surprise, until the Christmas sales showed a drop of 2% year-on-year--the worst in the last ten years. Sales in the traditional markets of Europe and Japan were no better. On the bright side, a 20.8% increase in domestic consumption in Mainland China was registered in November. Christmas sales in developing countries like Russia, Brazil, Chile and those in Eastern and Central Europe were also reported to be satisfactory.

Although no one could be immune from the financial tsunami, developing countries re likely to be less affected. To ward off the much-feared credit crunch, financial and other institutions in Hong Kong have been putting into effect fiscal policies towards alleviating the situation. It was an insightful and timely move of the Hong Kong Trade Development Council to spare $120 million to assist Hong Kong exporters expand new markets in developing countries.

Willy Lin, Chairman

But fairly speaking, while we have always had our sights on exploiting the Mainland domestic market, Hong Kong businessmen have actually spent far insufficient efforts on this course. The gloomy prospect of our traditional markets may, perhaps, provide us the much needed drive to reconsider our business strategies and market planning. I will not understate the difficulties one would encounter, but I will not underestimate Hong Kong businessmen's capability and entrepreneurship either, to overcome these challenges.

As regards the recovery of our traditional markets, I tend to be a bit on the pessimistic side. October and November are the traditional 'buying season' months when overseas merchandisers flock to the Far East on procurement trips. In the past months, we have seen much less of these visits while the volume of orders placed has been so little and the prices so low to hardly allow manufacturers any profits at all. Orders placed during the China Import and Export Autumn Fair in Guangdong in October have been reported to be 17.5% less compared to 2007. I was shocked to learn from an associate in the logistics industry that at present, tens of thousands of container boxes loaded with finished goods are now stuck in Guangdong. Buyers are either cancelling orders, or sellers are unwilling to ship out goods because of a high risk of default payments.

Despite the immense rescue plans of governments around the world, massive layoffs and bankruptcies seem inevitable in coming months. Apparently, the worst has not come yet. The merchandise trade could resume its momentum only when employment rebounds and people feel secure in their jobs.

The Central and Guangdong governments recently released details of further privileges that Hong Kong enterprises could enjoy under CEPA. There are comments that the scheme is not concrete enough and, in many areas, fails to lay down precisely what is allowed and what is not under the scheme. I am afraid that this could be exactly the situation that policymakers and the industry are facing right now. There is no precedence for the scheme and henceforth there have been elements of trials and tests. However, one should not ignore the spirit of CEPA, which is to allow Hong Kong enterprises to make pioneer moves in the Mainland under privileged treatment. This virtually underlays the commitment of the Central and Guangdong governments to allow Hong Kong enterprises to do "trials in Guangdong first." There are clear messages that we should be bolder in raising our requests and that our requests would be taken seriously. But of course, we also need to take the interest of the nation, as well as the region, into account when we make our requests. One should not be under the illusion that the old labour-intensive, low value-added, 100% export-oriented, highly-polluting or natural resource-intensive industries would still be favoured. Hong Kong industrialists and entrepreneurs will have to leave their comfort zones and sustain their successes with innovation and creativity. There are still immense strengths and advantages that we could exploit to achieve our success.

We don't see the future as "The End of Prosperity", as a magazine quoted in its cover page. Although recovery is bound to be slow, Hong Kong is fortunate to be right in the midst of the 'fastest growing economy of the world,' i.e., Asia Pacific. Another growth stimulant for the region is the improved relationship between the Mainland and Taiwan.

So be alert, be smart and we shall ride the tide together to meet future new heights of business. In ending, Kung Hai Fat Choy and a very successful Year of the Ox to everyone!