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Hong Kong can become wine trade hub

By Manik Mehta
New York

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Given its well-developed logistics infra-structure, with a wide distribution network extending into the mainland China market, Hong Kong could well become a hub for the wine trade. The transport and distribution of wine could also lead to the establishment of specialised logistics companies and infrastructure dedicated to this trade, according to a Hong Kong-based logistics expert.

"Ever since the Hong Kong government abolished import duties on wine and beer on February 27, there has been a flurry of activity amongst importers and distributors to work out transportation to the mainland market," James Thompson, the founder and chairman of the Crown Worldwide Group, told Cargonews Asia during a visit to New York. Hong Kong slashed its import duties on wines to 40 percent in March 2007 and to zero this year.

Thompson envisages that with the elimination of import duties, more foreign wine businesses will open offices or expand their existing activities in Hong Kong.

"There will also be pressure on prices of fine wines and Hong Kong's wine storage facilities will boom, resulting from the need to create special wine cellars," he predicted.

Thompson said that by removing import duties, Hong Kong had positioned itself to become the world hub of fine and rare-wine sales.

Historically, a large part of wines purchased by Hong Kong's collectors had been kept overseas. With the abolition of duties, these wines may be brought back to Hong Kong without penalty.

Thompson also praised other "attractive at-tributes" of Hong Kong, such as a safe entry point. "China is, obviously, the huge place when considering investment potential. But there are other factors that make a successful investment. Hong Kong provides expertise which foreign companies should use for doing business with China. Indeed, Hong Kong takes you by the hand and paves your way in China. We would recommend anyone doing business with China to first stop in Hong Kong," Thompson said.

He was "reasonably optimistic" about Hong Kong's seaport which, despite competition pressures, could maintain its strong position.

"Hong Kong's container traffic has been growing at an annual rate of three to four percent even though it is facing competition pressures, particularly close to its borders with southern China. Hong Kong's 2007 throughput was 24 million TEUs while the collective volume of competing Chinese ports in Hong Kong's direct neighbourhood was 25 million TEUs. Of course, the Chinese ports are showing strong growth rate but there is room for everybody," he said.

Thompson dispelled the impression that there was a demoralised sense in Hong Kong's shipping and port industry, pointing out that the Hong Kong government was, in fact, building container terminal 10.

"Despite all that you hear, logistics will continue to be one of the major pillars of Hong Kong's economy," he maintained.

Thompson, an American from New Jersey, was also confident about Hong Kong International Airport.

"Hong Kong airport is growing faster than most airports of the world. As a matter of fact, there is need to construct another runway at the airport. The key to the airport's success is sheer efficiency. Hong Kong's position is safe and I do not believe it will be challenged," he said.

With the impending establishment of direct links between Taiwan and mainland China, Hong Kong should get the jitters because its transit business - Taiwan ships its cargo to China via Hong Kong - could be hit.

But Thompson said, "I don't think there will be any jitters. In fact, we have been expecting direct links between Taiwan and China for some time. According to one estimate, some eight percent of Hong Kong's transit traffic comprises of cargo traffic between Taiwan and China. If this business is lost, I am sure Hong Kong will manage to increase its business with other cities of China. Some minor adjustment will have to be done initially, but this will not have any profound long-term impact."

Daniel Fung, Hong Kong's solicitor general from 1994-98, also echoed similar sentiments about Hong Kong's strong position in logistics. "Hong Kong's leading position as a logistics centre is not threatened. Hong Kong's container traffic passes through the Pearl River Delta whose ports do not compete but complement Hong Kong. Although Singapore port is a competitor for Hong Kong, it is too far away. The Pearl River Delta is, in fact, regarded as a 45 million strong 'Greater Hong Kong' region. It's a win-win situation."

The same could be said about Hong Kong airport, he said, "which is the best-connected international airport of China".

"Hong Kong cannot be compared to Shanghai, Singapore or any other Asian city because we have a free and independent judiciary and transparent regulations accompanied by sufficient checks and balances to ensure good governance. Hong Kong will continue to enjoy this position, simply because the other competing cities cannot achieve what Hong Kong has," Fung said.

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James Thompson, Chairman of Crown Worldwide Group, and Daniel Fung, Hong Kong's solicitor general, are optimistic of Hong Kong's position in the logistics sector.

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