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Will Hong Kong Continue to be the Key Operations Hub for Operations in China in the Future?

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Abstract

Hong Kong has long been an entrepot to China and a transshipment hub for South-East Asia. The volume of goods transshipped through Hong Kong has grown explosively in the last two decades, fueled by the growth in containerized shipping worldwide, the “open-door” policy adopted by China and the rapid industrialization in the South China region.

While many experts are optimistic about Hong Kong’s position as the major transshipment hub in the region, others see dark clouds on the horizon. On the one hand, Hong Kong transporters face strong competitive pressures from container ports in other Asian countries as well as new container ports that have been established in nearby areas in China. On the other hand, changing technology and business practices also creates pressure on the lead times, transportation modes and routes in the delivery system. China’s future success (or failure) to establish more direct trading relationships with other countries will also have a major impact on Hong Kong’s position as the leading transshipment hub in the region.

This paper is partially based on research findings conducted over the last two years. During this period, we have conducted in-depth interviews and a broad survey of exporters and transporters that are operating locally in Hong Kong and are involved in cross-border traffic between Hong Kong and China. Therefore, this paper paints a picture of the current state of the industry and the industry's view of the trends and challenges for the future including the impact of China entry to the World Trade Organization (WTO).

Some of the attributes that we will discuss include: geographical advantages, its cross-border business skills and market acumen, its "corruption-free" government, its free flow of capital, information and goods, its freedom of personal expression, the press, the media and all communications, its regional headquarters capital of the Asia-Pacific, its world class regulatory regimes, and its world class protection of intellectual property. On the other hand, we will also consider factors that threaten Hong Kong as the key operations hub for operations in China in the future, including: We will briefly review the roles of Hong Kong as banking & financing hub, trading hub, logistics & transportation hub, telecommunication hub, import & export hub, as well as a market information & competitor intelligence hub.