

HONG KONG

Asia's world city

January 2007

The Logistics Hub of Asia

Situated at the heart of Asia, Hong Kong is within five hours' flying time of half the world's population and is the major international gateway to the mainland of China, the world's most populous consumer market and largest manufacturing base.

Hong Kong is the world's busiest international air cargo handling centre and one of the world's busiest container ports. Whether goods move by sea, air or land, Hong Kong's world-class infrastructure and integrated services expertise make it the preferred international logistics hub and supply-chain base in Asia.

Hong Kong is the logistics gateway to China, with more than 90 per cent of Hong Kong's re-exports originating from or destined for the Mainland. China's rapid economic growth and its market liberalisation as a member of the World Trade Organization mean that trade flows through Hong Kong will continue to expand significantly.

Hong Kong's success as a logistics hub lies in its superior connectivity.

Hong Kong businesses are unrivalled at creating and managing highly flexible supply networks. Goods flow swiftly and efficiently between southern China and the rest of the world — especially now that Hong Kong's economic integration with southern China is accelerating.

Services account for 90 per cent of Hong Kong's GDP. Much of that huge services sector — from transport and supply-chain management to financial and legal services — involves or supports the logistics industry. The Government provides world-class infrastructure, along with transparent and efficient customs procedures.

Container Port

Hong Kong is one of the world's busiest container ports. With its natural deep-sea port, Hong Kong serves some 80 international shipping lines reaching 500 destinations worldwide. Renowned for efficiency, the privately owned and operated container terminals at Kwai Tsing, Hong Kong's primary cargo-handling area, offer round-the-clock service.

The Kwai Tsing container port has 24 berths and a handling capacity of over 18 million TEUs. With the approach channel and marine basin dredged to 15.5 metres, the port will be able to handle the largest container ships currently on the drawing board.

Airport

Hong Kong has ranked first in the world in international air cargo throughput since 1996. Cargo throughput at Hong Kong International Airport (HKIA) has grown an average of over 11 per cent a year since the airport opened in 1998. Robust cargo growth is expected to continue, driven by strong demand from North America, Europe and the Mainland.

HKIA has been voted 'Airport of the Year' five times in the worldwide Skytrax survey. Hong Kong Air Cargo Terminals Limited (HACTL), HKIA's major terminal operator, has been named 'Air Cargo Terminal of the Year' at the Asia Logistics Awards for the past four years.

To strengthen its hub status, Hong Kong has been liberalising its air services regime by proactively negotiating new



air services arrangements with other countries and expanding existing arrangements.

Cross-Boundary Links

Each day, an average of 27,000 goods vehicles cross between Hong Kong and the Mainland, and 320 river cargo vessels arrive in Hong Kong. Lok Ma Chau, one of three road crossings, is one of the busiest land boundary control points in the world. With daily freight trains running to and from 60 cities, rail completes Hong Kong's multi-modal transport network.

Hong Kong has embarked on an ambitious plan to build new road and rail links with Guangdong Province. The Hong Kong-Shenzhen Western Corridor, a fourth road link between Hong Kong and the eastern Pearl River Delta due to open in 2007, will double the total handling capacity of cross-boundary traffic. The Hong Kong-Zhuhai-Macau Bridge, now in the planning stage, will open up the Delta's western region for rapid development. The Guangzhou-Shenzhen-Hong Kong Express Rail Link will reduce travel time by rail between Guangzhou and Hong Kong from 100 minutes to within an hour, and connect Hong Kong to the national rail network. Under study is a new eastern corridor between Hong Kong and Shenzhen.

PRD

Hong Kong's proximity to the dynamic Pearl River Delta (PRD) offers unique opportunities for shippers, manufacturers and retailers.

Hong Kong has long been the financial and business services provider for the PRD, often called the 'factory of the world', which now generates about one-third of China's exports. As a logistics hub, Hong Kong is the fastest and most cost-effective route from the PRD to the rest of the world.

The Greater PRD region — including Hong Kong and Macau — is one of the most affluent regions in China and home to some 50 million consumers with substantial purchasing power.

Pan-PRD

An initiative launched in 2004 has the potential to create a huge regional economy in southern China. The Pan-PRD, or '9+2', co-operation forum groups China's nine southern provinces and the two Special Administrative Regions of Hong Kong and Macau. Pan-PRD is designed to break down trade barriers between the provinces and develop an integrated regional economy in an area with a population of 474 million — greater than the EU's. With new highways and railways completing the national transport grid, 9+2 will expand Hong Kong's economic catchment area into China's heartland, opening vast new manufacturing bases and consumer markets to the world.

Recent Initiatives

The Closer Economic Partnership Arrangement (CEPA), a free-trade pact between Hong Kong and the Mainland, provides opportunities for foreign companies to gain preferential access to the massive Mainland market ahead of China's WTO commitments.

For manufacturers, all Hong Kong goods meeting rules of origin requirements may enter the Mainland tariff free. CEPA also provides 'first mover' advantage for companies in 27 services sectors. Hong Kong companies providing logistics, freight forwarding, storage, and maritime and road freight transport services may now set up wholly owned enterprises in the Mainland.

A Digital Trade and Transportation Network System was launched in 2005 to provide a neutral, open and secure e-platform for logistics players in the supply chain to exchange information and data efficiently and reliably.

Logistics Hong Kong

Logistics is one of Hong Kong's four economic pillars. The Hong Kong Logistics Development Council (LOGSCOUNCIL), chaired by the Secretary for Economic Development and Labour and with a majority of members from the logistics industry, advises the Government and provides a forum for the public and private sectors to discuss issues and pursue collaborative initiatives.

For further information, visit www.logisticshk.gov.hk