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POLICY RESEARCH INSTITUTE OF
GLOBAL SUPPLY CHAIN

香港恒生大學
THE HANG SENG UNIVERSITY
OF HONG KONG

*INFLUENCE OF SUPPLY CHAIN MANAGEMENT DUE TO **TRADE WAR***

Dr. Collin Wong

Director of Policy Research Institute of Global Supply Chain

The Hang Seng University of Hong Kong

Intertek Seminar, 17 January 2019

ABOUT US

Established in 2016, the **Policy Research Institute of Global Supply Chain** undertakes relevant, high-quality academic and policy research in supply chain and logistics management.

A major role of the Institute is to facilitate communication between regional stakeholders, sharing their mutual interests in advancing the development of supply chain and logistics in the region.



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PAST REPORTS – MAINLAND CABOTAGE STUDY

世界排名第五 勢擠出「十大」

沿海運輸權倘全開放 港貨櫃吞吐減14%



根據《中華人民共和國海商法》(海商法)規定，只有經中華人民共和國國務院批准，方可在沿海港口之間進行海上運輸。然而，在國際貿易中，貨櫃運輸的貨櫃，卻可以在國際航線下，不經中國一國領土，直接由外國港口運往中國港口。這就使得外國貨櫃船隻，可以在中國沿海港口之間，進行貨櫃運輸。這就使得外國貨櫃船隻，可以在中國沿海港口之間，進行貨櫃運輸。這就使得外國貨櫃船隻，可以在中國沿海港口之間，進行貨櫃運輸。

倘放寬沿海運輸權 港或失14%貨運量

根據中央政府的近年推出自由貿易試驗區試驗計劃，於區內逐步放寬沿海運輸權，讓中外貨櫃船隻，在區內進行貨櫃運輸。這就使得外國貨櫃船隻，可以在中國沿海港口之間，進行貨櫃運輸。這就使得外國貨櫃船隻，可以在中國沿海港口之間，進行貨櫃運輸。這就使得外國貨櫃船隻，可以在中國沿海港口之間，進行貨櫃運輸。

Relaxed mainland port rules could slice 14pc off Hong Kong's container throughput, says report

City could lose all transshipment rights in the non-Pearl River Delta region, meaning a loss of 2.4 million containers per year

根據中央政府的近年推出自由貿易試驗區試驗計劃，於區內逐步放寬沿海運輸權，讓中外貨櫃船隻，在區內進行貨櫃運輸。這就使得外國貨櫃船隻，可以在中國沿海港口之間，進行貨櫃運輸。這就使得外國貨櫃船隻，可以在中國沿海港口之間，進行貨櫃運輸。這就使得外國貨櫃船隻，可以在中國沿海港口之間，進行貨櫃運輸。

內地推沿海捎帶 港轉口料年減240萬貨櫃



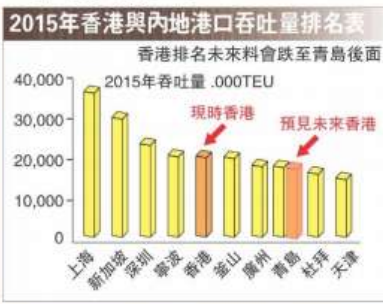
左起：香港恒生管理學院黃彥璋博士、梁志堅教授、供應鏈及資訊管理學系系主任及副教授黃惠虹博士、助理教授巫耀榮博士。 莊程敏 攝

香港文匯報訊(記者 莊程敏)香港恒生管理學院供應鏈及資訊管理學系上週四發表題為「放寬沿海運輸權及珠三角地區對香港海運物流業之影響」的研究報告，報告指國家若全面開放沿海運輸權，對香港貨櫃運輸業將帶來沉重打擊。在最嚴峻的情況下，香港轉口貨櫃吞吐料年減240萬貨櫃。

內地倘開放沿海運輸 港或失一成貨櫃吞吐

【明報專訊】面對鄰近地區競爭，本港貨櫃吞吐量近年持續下跌，香港恒生管理學院發表研究報告，推算內地若全面開放沿海運輸權，對香港貨櫃運輸業將帶來沉重打擊，以2015年本港貨櫃吞吐量推算，損失或高達240萬箱或佔全部貨量的12%，香港作為全球十大港口之一的地位隨時不保。

內地港口間運輸只限中國船



SHIPPING

HK likely to lose transshipment hub advantage

Relaxation of cabotage rules on the mainland may see city lose edge in container throughput

Celia Chen
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A full relaxation in the mainland's laws prohibiting foreign-flagged vessels from moving cargo from one mainland coastal port to another, could deal a serious blow to Hong Kong's container freight industry, according to the highly influential Hang Seng Management College (HSMC). It claims in a new report that in the worst-case scenario, Hong Kong could lose all transshipment rights in the non-Pearl River Delta region, which could translate into a loss of 2.4 million container twenty-foot equivalent units (TEU) – a measurement of standard container sizes – which would translate into 14 per cent loss of the city's total container throughput. China's rules were waived for Hong Kong as it was considered a foreign port for these purposes. The relaxation of the transportation rules, commonly called cabotage in the industry, started in 2013. Up until then Hong Kong was seen as the most convenient as Qingdao, Ningbo and Guangzhou have been lobbying hard for a relaxation of their own cabotage rules on foreign vessels. At the same time, the Narsha Free Trade Zone in Guangdong province, is progressively introducing measures to promote transshipment trade. "Mainland China's cabotage relaxation is weakening Hong Kong's status of being a key transshipment hub in the region, and creating uncertainty for the local jobs market and economy," said Lawrence Leung, dean of HSMC's school of decision sciences. "The expected loss in city's container throughput if cabotage rules are eased on the mainland."

香港急須保持區內樞紐港角色

梁志堅

香港是人才薈萃、資本可自由流動和貨物出入頻繁的城市，被譽為經濟充滿能量和生命力。過去數十年，香港經濟可以保持穩定發展，社會繁榮，其中一重要原因是香港擔當區內貨運樞紐的角色。今天，我們賴以為生的其中一項支柱——貨運物流業，正受到嚴重威脅。自2014年7月起，本港港口吞吐量已連續下跌28個月。

恒生管理學院決策科學系最近發表《放寬沿海運輸權及珠三角地區對香港海運物流業之影響》研究報告，探討內地近年在海運政策上放寬沿海運輸權，對香港海運業的影響。報告指出，內地港口間運輸只限中國船隻，這就使得外國貨櫃船隻，可以在中國沿海港口之間，進行貨櫃運輸。這就使得外國貨櫃船隻，可以在中國沿海港口之間，進行貨櫃運輸。這就使得外國貨櫃船隻，可以在中國沿海港口之間，進行貨櫃運輸。

PAST REPORTS – GREATER BAY AREA STUDY

‘Government inaction has cost Hong Kong advantages over other bay area cities’

But all is not lost, says report from academics, adding that quick action could revive city’s innovation prospects

PUBLISHED : Friday, 01 December, 2017, 9:48am
 UPDATED : Friday, 01 December, 2017, 11:04am



恒管發表大灣區報告 探討物流業未來機遇

港珠澳大橋通車在即，香港、澳門以至珠海的物流業者終於可以選擇運輸更為靈活可靠的陸路運輸，這對香港的物流業不啻是新機遇。

專欄：灼見商業 作者：本社編輯部 日期：2017-12-06

何韻文 恒生管理學院 梁志堅 物流 粵港澳大灣區 貿易 陳師夫 香港中文大學 黃惠虹

分享 0



(左起) 恒生管理學院全球供應鏈管理政策研究所主任吳志雄博士、香港中文大學亞洲供應鏈及物流研究所所長張惠民教授、恒生管理學院決策科學學院院長梁志堅教授、何韻文校長、恒生管理學院全球供應鏈及資訊管理學系系主任黃惠虹博士，以及恒生管理學院及資訊管理學系助理教授何煥權博士。(文灼攝)



INTEGRATION CHALLENGES OF BIG BAY AREA

A major study has identified five main areas of concern related to logistics and trade facilitation issues in the Guangdong-Hong Kong-Macau Greater Bay Area.

One concern among stakeholders is the lack of clarity on the approach to integration of the cities in the context of ‘One Country, Two Systems’. Dynamics between market economy and policy driven economy, and given such dynamics, whether there is a division of services in the region, were two more issues that were identified.

Concerns were also raised on whether customs practices in the region will be reformed. The fifth concern was about creating a single window to facilitate trade and logistics.

These issues formed part of the findings in a report, ‘Logistics and Trade Facilitation in Guangdong-Hong Kong-Macau Bay Area: Stakeholders’ Concerns, Comments from Central Government, and Policy Recommendations’ by a team that included members of the Policy Research Institute of Global Supply Chain of Hang Seng Management College and the Asian Institute of Supply Chains & Logistics of the Chinese University of Hong Kong.

However, since aviation is highly regulated and involves the government, an authority or commission for regional coordination is necessary, Cheung says. Hong Kong airport, so far, has set up an office in Guangzhou. “Before nine cities and two special administrative regions integrate, we have to settle this as soon as possible to avoid unhealthy competition internally,” he says.

大灣區融合助物流便利化

2017-12-01 港聞

大灣區融合助物流便利化

分享 0



1/1 恒管及中大發表大灣區物流及貿易便利化研究報告。

(星島日報報導) 恒生管理學院及中大發表有關粵港澳大灣區物流及貿易便利化的研究報告，指出港澳兩個特區與內地九個城市協同發展，尤其香港、廣州及深圳等可以發揮優勢互補，本港透過完善法制及專業服務協助內地城市與國際接軌。兩校將於下月七日舉行大灣區專題論壇，邀請政商界代表及業界分享。



Cannix Yau

2 SHARES

Government failure to maintain Hong Kong’s economic advantages in innovation and technology has caused it to fall behind local rivals, a group of academics said on Thursday.

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But the city can still rekindle its niche in logistics and high-value-added services

中美貿戰衝擊香港海運業 速謀對策渡過難關

梁志堅
黃惠虹

進入年底，中美貿易爭端仍然膠着。國際貿易全球化，商品與貨物供應鏈穿梭各地，當佔有全球國民生產總值合共40%的兩大經濟體系——美國和中國——出現貿易紛爭，供應鏈中不少國家和地區都會受牽連。

以「中國製造」的電視機為例，組件可能包含「日本製造」的玻璃面板、「新加坡製造」的背光面板、「韓國製造」的電路板、「德國製造」的芯片等。美國倘若針對中國組裝的電視機徵收額外關稅，會增加其成本價格，減低貨品在美國銷售的競爭力。損害中國生產者之餘，同時打擊供應鏈中所有提供組件及服務的國家，繼而減低製造組件的國家的國內生產總值，形成雪球效應。

中港碼頭吞吐量或現斷崖式下跌

同時，貿易衝突肯定對全球貨運物流業帶來一定程度打擊。對香港來說，首當其衝是海運物流業。作



梁志堅、黃惠虹：香港轉口業務有八成是與內地有關，所以今次中美貿易戰將為香港港口帶來迎頭痛擊。(資料圖片)

為主要貿易樞紐和進出中國內地主要通道，香港港口正面臨前所未有的挑戰，第四季中港貨櫃碼頭吞吐量更有可能出現「斷崖式」下跌。

海運佔香港海陸空貨運總量九成，而當中超過七成的海運是轉口業務。轉口即是貨櫃運送至目的港所安排的船舶並非直達的船，而是需經由轉口港，如香港葵青貨櫃碼頭，換駁下一程船運，再運送至目的港。香港轉口業務有八成是與內地有關，所以今次中美貿易戰將為香港港口帶來迎頭痛擊。

2016年，香港貿易物流業提供了超過70萬個工作職位，佔香港接近四分之一生產總值。所以，當務之急是怎樣提升香港港口業的競爭力，將中美貿易紛爭對我們的影響減到最低。

強化創新 保持貿易物流業活力

今年8月，香港恒生大學（前身為恒生管理學院）全球供應鏈政策研究所發表報告，建議香港貨櫃碼頭各碼頭營運商考慮一套提升競爭力的方法，便是開放其設施，讓大家可以共享泊位、吊機和堆場等。外國碼頭也有相關合作模式成功例子。這個「設施協作模式」方案將有助降低船公司和碼頭營運商的營運成本，減少污染，提升香港港口競爭力。

在應對貿易戰所帶來的威脅，香港需強化創新，發揮我們靈活運作的優勢。碼頭營運商可研究建議中的「設施協作模式」之同時，政府若能提供政策支持，協助提高香港貨櫃碼頭競爭力，將有助保持本港貿易和物流業的活力，渡過今次難關挑戰。

作者梁志堅是香港恒生大學決策科學學院院長，黃惠虹是香港恒生大學決策科學學院副院長

PAST REPORTS – HK PORT FACILITY SHARING

As the trade war intensifies, the maritime industry in Hong Kong must adapt to stay afloat

- Lawrence Leung and Collin Wong say Hong Kong is hard hit by the trade war as the majority of its cargo is transshipped from other ports.
- The Hong Kong port should consider implementing inter-terminal transfers (ITTs) to share berths, cranes and yard space.

PUBLISHED : Tuesday, 06 November, 2018, 7:34pm
UPDATED : Wednesday, 07 November, 2018, 2:05pm



issue of ITTs is increasingly relevant for all ports with competing terminal connections. Credit: Huskyherz/Pixabay/CC0

COMMENT: A study on better co-operation between terminals in Hong Kong by Hong Kong's Hang Seng Management College has rightfully received industry attention of late, writes Peter de Langen.

The study focuses on inter-terminal transfers (ITTs) between the five terminal operating companies in Hong Kong. The terminals charge for these ITTs, thus adding costs to already-high terminal rates in comparison with competing ports.

Inter-terminal moves arise when a container arrives at, for example, terminal A, but needs to be moved to terminal B for the onward (feeder) transport. Given the rise of consortia and the increase in ship sizes, the issue of ITTs is increasingly relevant for all ports with competing terminal operators and onward feeder or intermodal connections. The study mentions that around 15% of total volume is transferred between terminals.

With the use of simulation, the study found that the number of ITTs can be significantly reduced (around 50%) if the different terminals are managed as one facility, so facilities such as quays and cranes are shared. Competing ports such as Singapore and Shanghai are already managed as one facility as they are operated by one operator.

恒管倡碼頭公司共享裝卸設施

葵青貨櫃碼頭後動用地不足，令五大碼頭公司都要將貨櫃疊高，而船公司的轉貨櫃量近年急增，令葵青碼頭內來往轉交貨櫃的車次上升，不但帶來污染物，更且增添船公司的成本。

恒生管理學院建議，碼頭公司可以共享裝卸的設施及資源，因應三大航運聯盟，將1至9號碼頭劃為三大區域服務，如此的話可以令船公司每年節省高達8800萬港元，將可吸引它們增多使用香港的設施。

報告呈政府 向碼頭公司匯報

恒生管理學院決策科學學院院長梁志堅指出，香港貨櫃吞吐量已經連續下跌十多年，去年全球排名第五，但今年相信會再跌一至兩位，香港港口更是區內唯一負增長的港口。他指共享碼頭資源並不屬於反競爭行

為，因為碼頭公司仍保留各自的船務，客戶關係及不同的服務。

雖然市場一直倡議可以將葵青碼頭搬到大嶼山，到時要劃分區域會較方便，但梁志堅相信，中短期內都不可行，因為搬運需要政府政策推動，而且成本高昂，並不划算。他又指貿易戰對碼頭及香港經濟都會帶來很大打擊，業內公司要未雨綢繆，改善成本結構，強化商業模式，是可行的做法。

黃惠虹指出，報告將會呈交政府，以及向五大碼頭公司匯報。在研究中，恒生管理學院使用了葵青貨櫃碼頭2017年其中一個月的貨運實際數據，就着貨櫃在碼頭間運輸 (ITT) 進行優化模擬測試。研究團隊模擬了六種貨櫃箱轉運量的情景，然後推算碼頭營運商在共享和沒有共享設施情況下所需的ITT次數。

研究顯示，透過實施協作模式之後，碼頭操作效率會有所提升，估計每年節省29.1萬次來回不同碼頭的不必要ITT次數。運送每個貨櫃箱收費為300元計，船公司每年可節省8800萬港元；二氧化碳排放量每年亦可減少達4655噸；每艘貨輪的平均等候時間可減少近1小時。



黃惠虹(圖中)建議，在共享資源安排下，碼頭公司根據各自的成本拆帳。

How city can keep maritime industry afloat

Lawrence Leung and Collin Wong say Hong Kong's logistics sector will be hard hit by the raging US-China trade war because most of our cargo is the result of the transshipment business

As China and the United States – the world's top two economies with a combined gross domestic product amounting to nearly 40 per cent of the globe total in 2017 – engage in a full-blown trade war, many industries stand to lose out. With today's global integration of markets, where products and raw materials typically move across many countries, the trade war will have a major impact on the global supply chain.

Nowadays, consumer goods are manufactured in such a way that different components of a product are sourced from all over the world. For instance, a "Made in China" TV may consist of glass panels from Japan, a panel backlight from Singapore, a circuit board from Korea, chips from Germany, and so on. Any extra tariffs imposed by the US on these items assembled in China would increase the price of the TV. Trade between the US and China falls, this will have a negative economic impact on operators in the supply chain, resulting in a downward spiral.

Thirdly, health insurance. China can find new customers to replace those in America. Likewise, producers can reduce their reliance on China to avoid new taxes, while transportation providers can provide their goods and services to new buyers. In practice, however, these strategies could be somewhat limited.

In 2017, US Canada trade surpassed that of the US and China trade at \$58.84 billion, with the top two global trade partners accounting for 17 per cent of the world's total trade. In 2017, US Canada trade surpassed that of the US and China trade at \$58.84 billion, with the top two global trade partners accounting for 17 per cent of the world's total trade. In 2017, US Canada trade surpassed that of the US and China trade at \$58.84 billion, with the top two global trade partners accounting for 17 per cent of the world's total trade.

If trade between the US and China falls, this will have a negative economic impact on countries in the supply chain

Such a trade war affects global transshipment. This is especially true for Hong Kong's transshipment services, where over 70 per cent of transshipment cargoes are cargo that is sent to other ports in Asia.

Meanwhile, China's trade with Hong Kong is also under pressure. Transshipment cargo represents over 30 per cent of Hong Kong's overall cargo volume. Clearly, Hong Kong, as a trading hub, will be hit hard by the US-China trade war.

Hong Kong's trade and logistics sector contributed about 22.7 per cent of Hong Kong's total gross value added in 2018. A US-China trade war will present great challenges to the sector, with our report offering three key ideas to help the region.

So what can be done to increase the competitiveness of the Hong Kong transshipment industry? As both a free trade and free market economy, the Hong Kong port needs to develop open strategies to ensure service competitiveness demands.

In August, Hang Seng Management College has published a report recommending facility sharing between the port to enhance efficiency and competitiveness.

Terminal operators could share berths, cranes and yards. This collaboration would enable vessels with tight schedules and loading times to berth at the same terminal to avoid unnecessary transfers. This joint initiative will save time and reduce pollution, improving the port's competitiveness.

In times of adversity, opportunities have opened for Hong Kong to find strength in innovation, entrepreneurship and flexibility.

As Hong Kong braces itself to weather the storm ahead, both government and private industry need to work together to ensure that the city's trade and logistics sectors flourish.

Professor Lawrence Leung Chi-ho and Collin Wong, who are respectively the dean and associate dean of the School of Decision Sciences, The Hong Kong University of Science and Technology.

GLOBAL SUPPLY CHAIN

- A dynamic worldwide network when a company purchases or uses goods or services from overseas.
- involves **people, information, money, processes** and **resources** involved in the **production, handling** and **distribution** of materials and finished products or providing a service to the customer.



WHY SUPPLY CHAIN IS IMPORTANT?



50-70% of company's profits can be eaten up by supply chain and logistics costs



Manufacturing is the highest multiplier effect of any economic sector

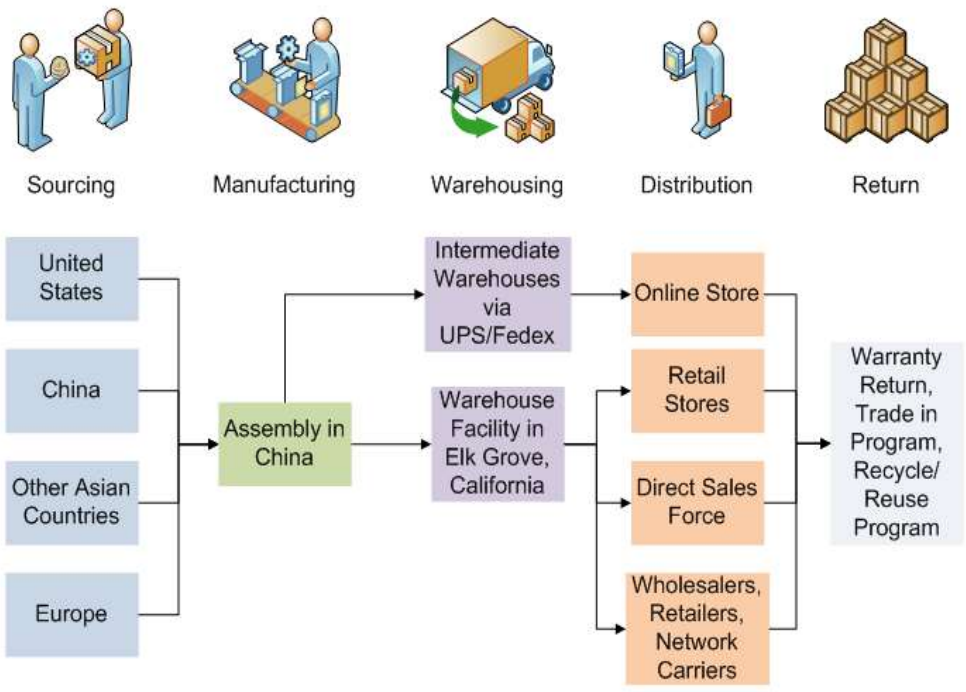


In US, every \$1 spent in manufacturing, adds \$1.89 to the economy



Logistics cost can be more than 10% of the retail price

APPLE'S SUPPLY CHAIN



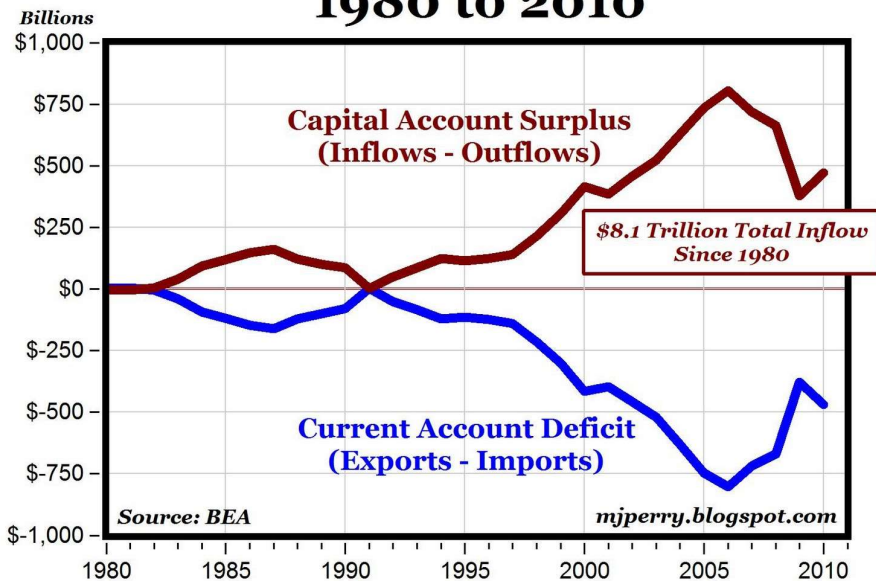
Sourced from supplychain247.com



Source: Econlife.

TRADE GLOBALIZATION

U.S. Balance of Payments 1980 to 2010



- **International balance of payments**
 - used by countries to summarize, for a specific time period, the economic transactions of an economy with the rest of the world.
 - recording all of a country's economic transactions, (exports & imports), by two main categories: current accounts and capital accounts.
 - If a country is experiencing persistent BOP deficits -the country's industries lack productivity and efficiency.

TRADE GLOBALIZATION

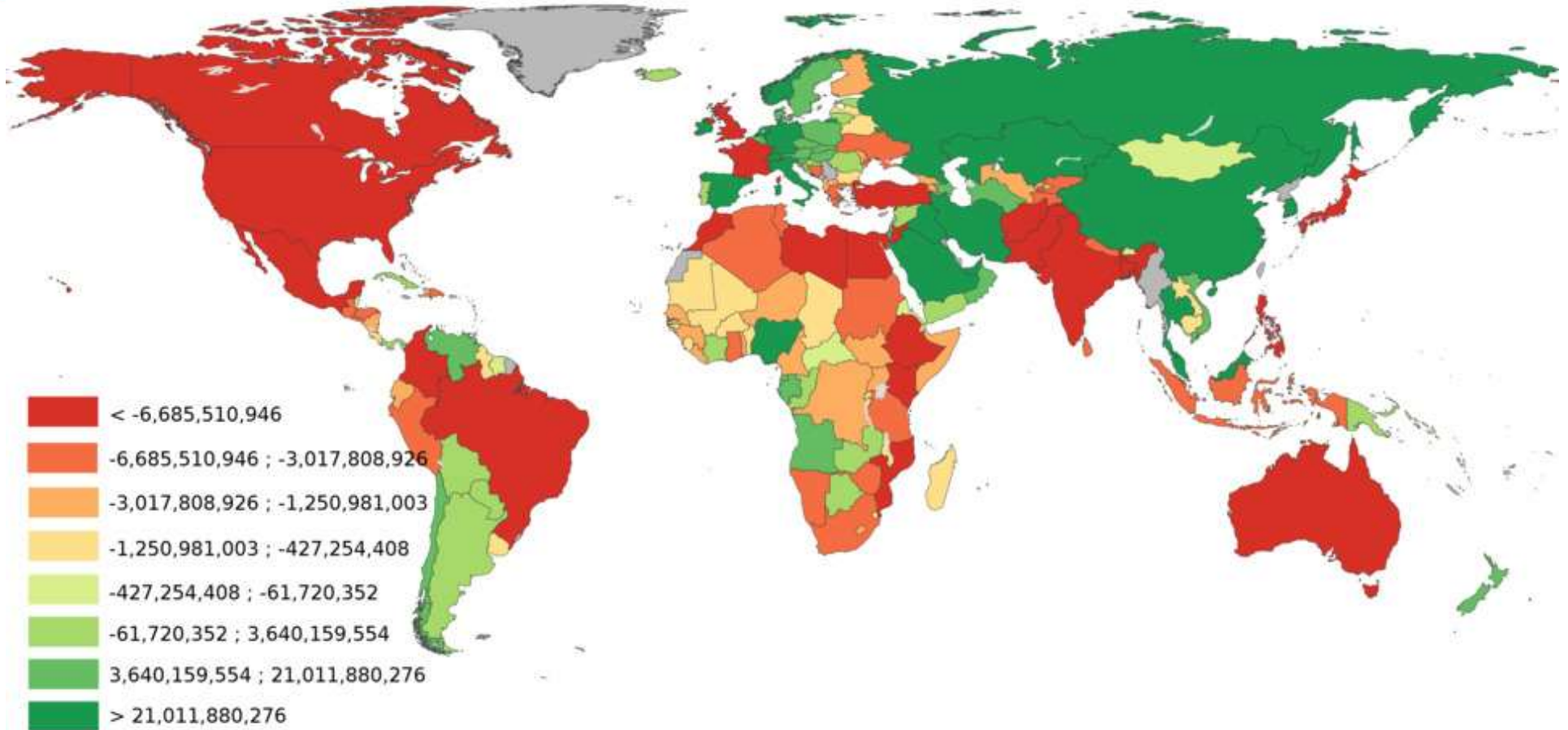


Source: Deutsche Bank, IMF

BloombergBriefs.com

TRADE GLOBALIZATION

Balance of trade (US Dollars)



Source : The World Bank - 2014

FREE TRADE



reduces the price of every item sold in the market;



increases the supply of products in other markets and results in lower prices for those products;



encourages other nations to trade more freely with their trading partners which helps the global economy;



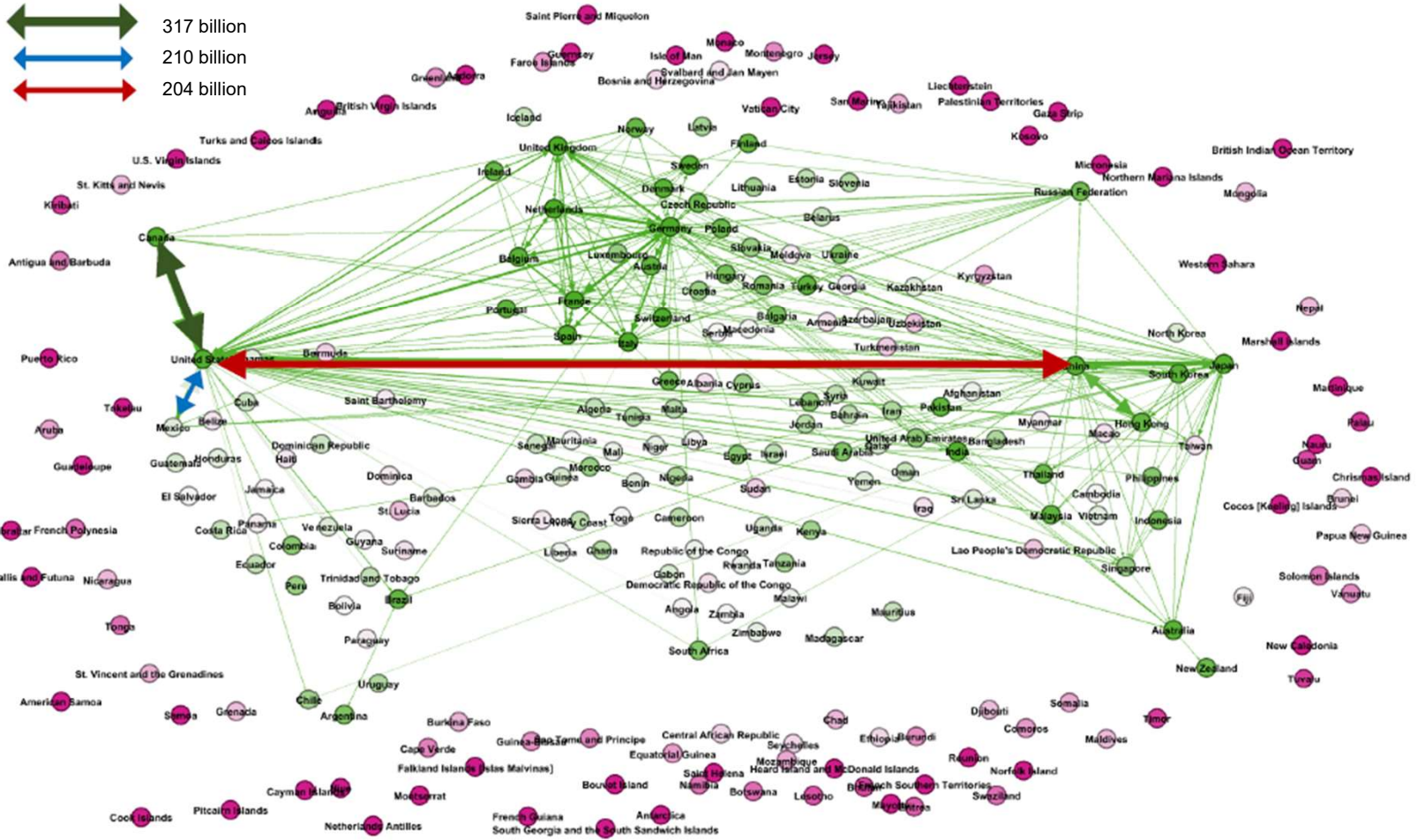
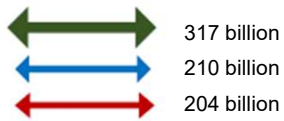
increases the number and variety of products for consumers to choose;



is a driving force behind a high standard of living.

2006

Trade Volume(USD)



No. of degree



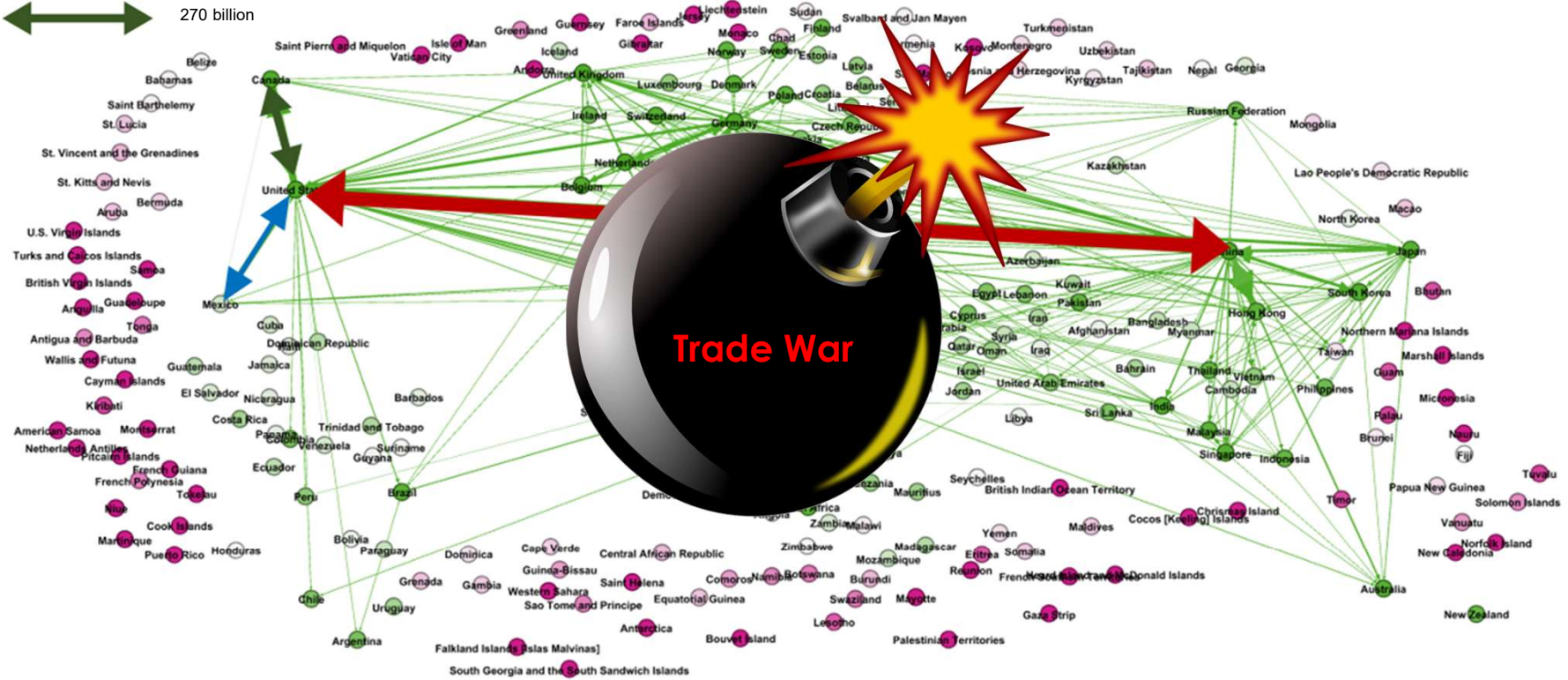
2016

Trade Volume(USD) ↕

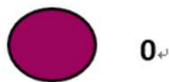


390 billion
270 billion

230 billion



No. of degree ↕



0 ↕



93 ↕



186 ↕



279 ↕



370 ↕

SINO-US TRADE CONFLICT DISRUPTS GLOBAL SUPPLY CHAIN

- When the world's two top economies
- a combined Gross Domestic Product constituting nearly 40% of the global figure in 2017
- a trade war - nothing good can be expected for the two countries.



Source MSCI.com, World Bank

TRADE WAR DETAILS

- Tariffs on \$200 billion worth of Chinese goods.
- industrial equipment and machinery
- consumer products
 - consumer electronics including smartwatches and bluetooth devices
 - industrial chemicals used for manufacturing textiles
 - health and safety products including bicycle helmets
 - child safety furniture including high chairs and car seats

March 1, 2018. Imposed tariffs of 25% on steel and 10% on aluminium.

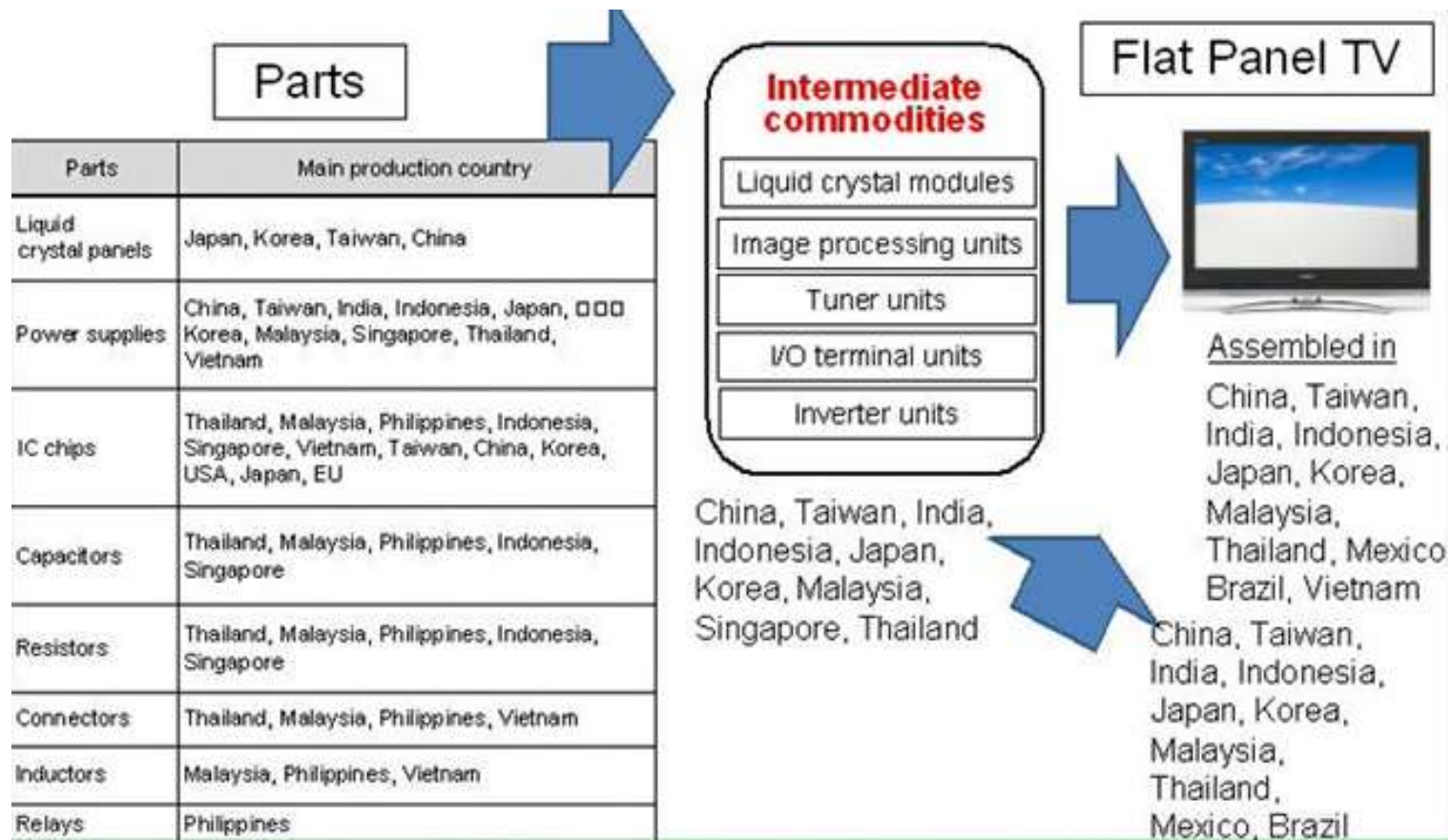
March 22, 2018. > 1,300 categories of Chinese imports were listed for tariffs, including aircraft parts, batteries, flat-panel televisions, medical devices, satellites, etc

July 6, 2018. imposed a 25% tariff on \$34 billion of Chinese exports.

August 22, 2018. imposed a 25% tariff on \$16 billion of Chinese exports.

September 24, 2018, imposed 10% tariff on \$200 billion worth of Chinese goods, increasing to 25% by the end of 2018 (pending)

GLOBAL SUPPLY CHAIN FOR FLAT PANEL TV



EFFECT ON GLOBAL SUPPLY CHAIN

- A negative economic impact on the countries in the supply chain
 - a loss of GDP across the whole chain of countries that made up the network.
- As Americans buy less from China,
 - trade volume decreases
 - negative multiplier effect will ripple through all economies involved, including HK

| Trade Rank | 2007 | 2017 |
|------------|-----------------------------------|-----------------------------------|
| 1 | US and Canada (US\$565.9 billion) | US and China (US\$635.3 billion) |
| 2 | US and Mexico (US\$345.6 billion) | US and Canada (US\$581.6 billion) |
| 3 | US and China (US\$341.4 billion) | US and Mexico (US\$557.6 billion) |

LONG TERM CONSEQUENCES

China may find new customers to replace the Americans, but it takes long time.

China's economy will suffer due to downsize in manufacturing plants

Industrial producers will relocate away from China to avoid new taxes

Africa, Cambodia,
India, Indonesia,
Vietnam, etc

Are their supply chain
infrastructures ready?

The product price is
getting higher or
lower?

Are labour skills ready?

Manufacturer of the various components could provide their goods and services to new buyers, instead of American companies

In practice, it would take some good years to make the transitions and the changes.



IMPACT ON GOODS, CUSTOMERS, ECONOMY, PRODUCT OWNERS

- **Goods**

- Retailers transfer the tariffs onto retail prices
- Retailer sell the same goods but don't source the product from China - grow profits by increasing prices.

- **Customers**

- Consumers have fewer choices and higher prices

- **Economy**

- boost to inflation
- could affect 11 million jobs in the U.S., with rural and low-population counties hit the hardest.

- **Product Owners**

- Shift sourcing and production- e.g. General Motors, Coca-Cola, Whirlpool, Harley-Davidson, Steve Madden, etc.
- Painful, costly and time-consuming processes for supplier selection & management, manufacturing site relocation, applying new licences and permits, training workers & management

IMPACT ON FINANCE & CREDIT

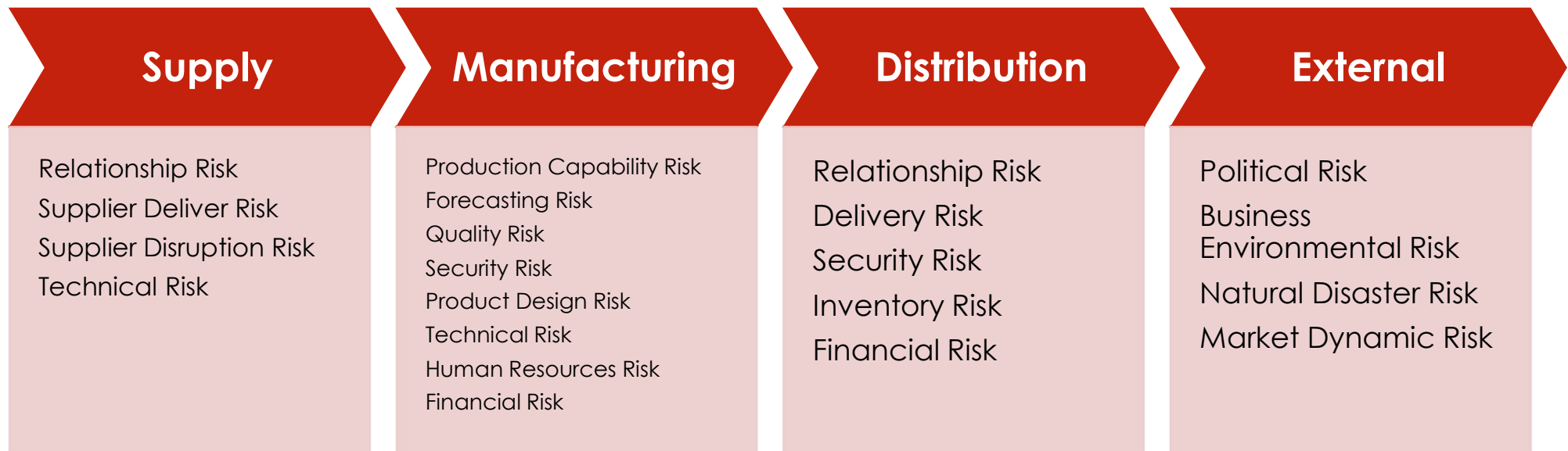
• Finance & credit

- new banking relationships have to be re-established in less developed countries (lower credit rating)
- due diligence and auditing to new trading partners is costly and time consuming
- less developed banking systems impose less available funding, higher funding cost and longer time to fund
- lower credit rating induces less trade financing sources and higher cost
- Volatile currency for developing countries
- **High Risk & Cost, Time consuming**



Source: xe.com

SUPPLY CHAIN RISK

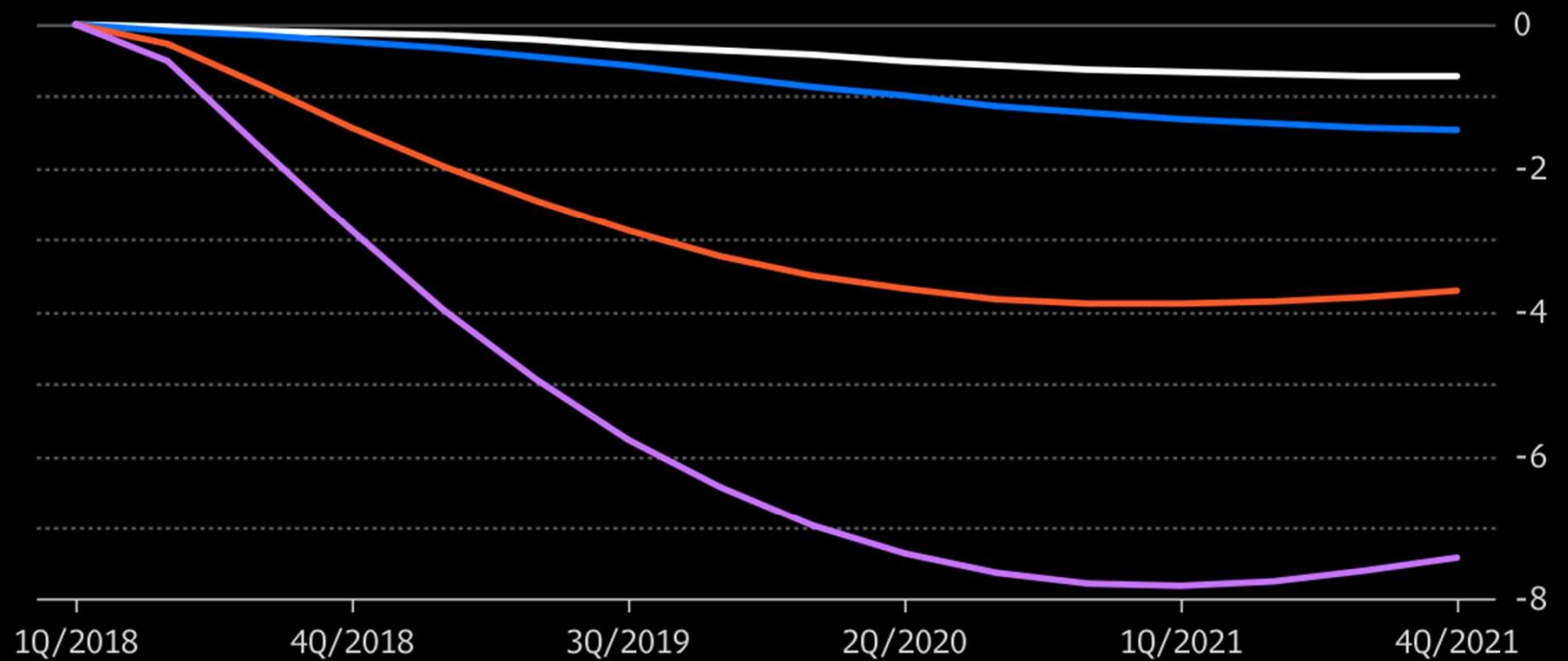


Source: SUPPLY CHAIN RETURN AND RISK MANAGEMENT by WH Wong, 2014

Bilateral Tariffs

A Trump trade war may cost \$470 billion by 2020

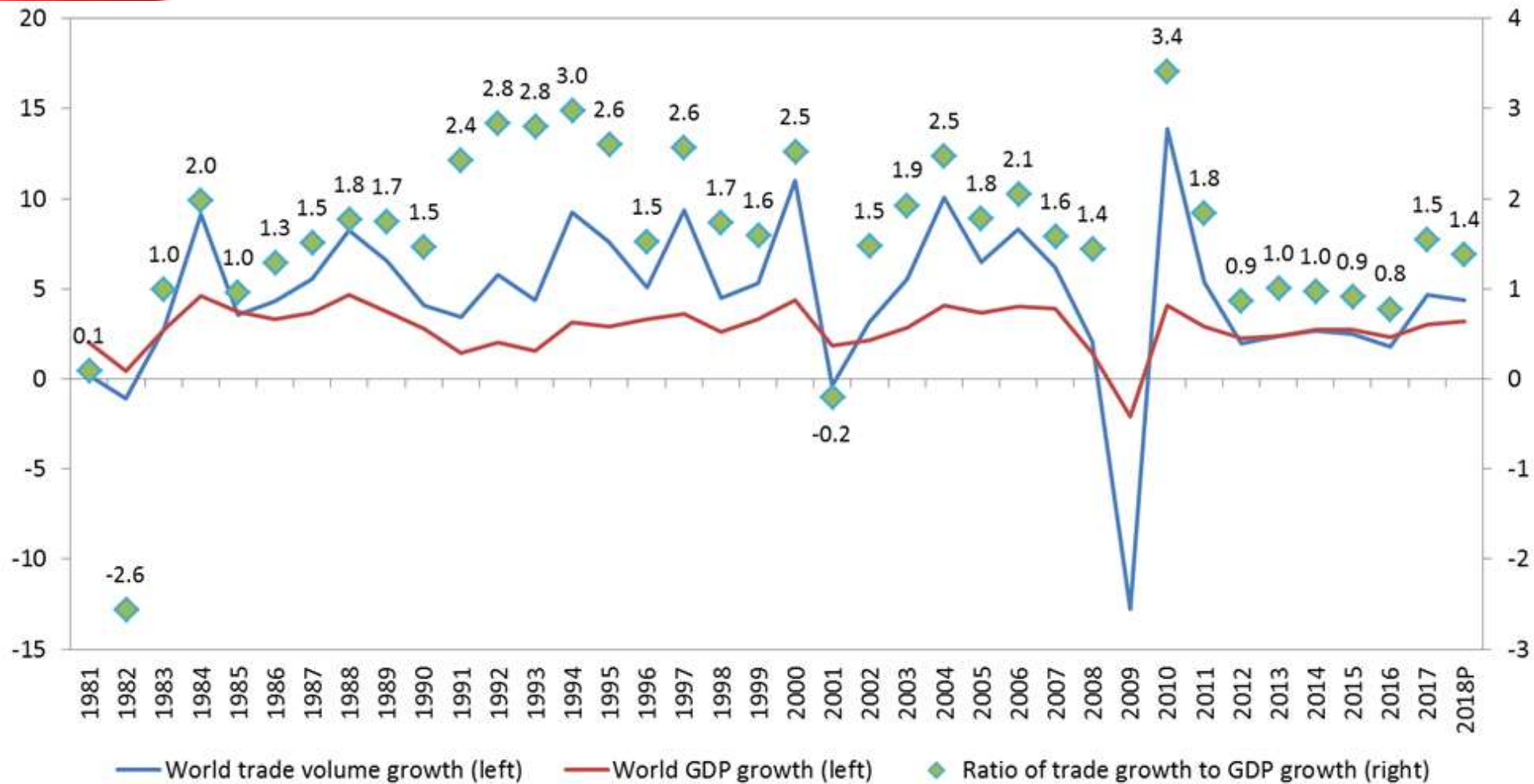
■ World GDP at 10% tariff ■ ... at 20% tariff ■ World trade at 10% tariff ■ ... at 20% tariff



Note: Y-axis shows deviation from baseline in percent
Source: Bloomberg Economics

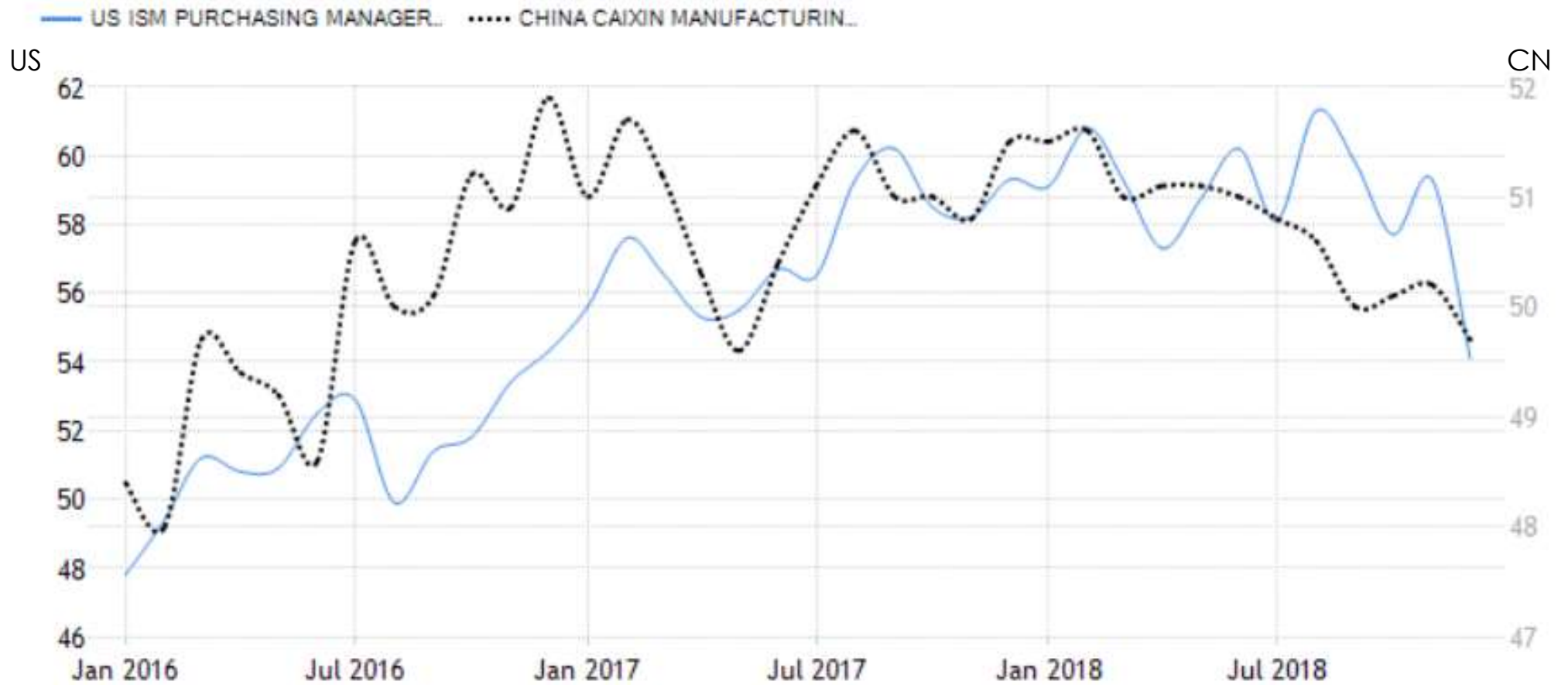
Bloomberg

WORLD TRADE & GDP



Source: World Trade Organization

US MANUFACTURING PMI VS CHINA MANUFACTURING PMI



Source: tradingeconomics.com



HONG KONG HARD HIT

INTERNATIONAL ECONOMICS AND TRADE

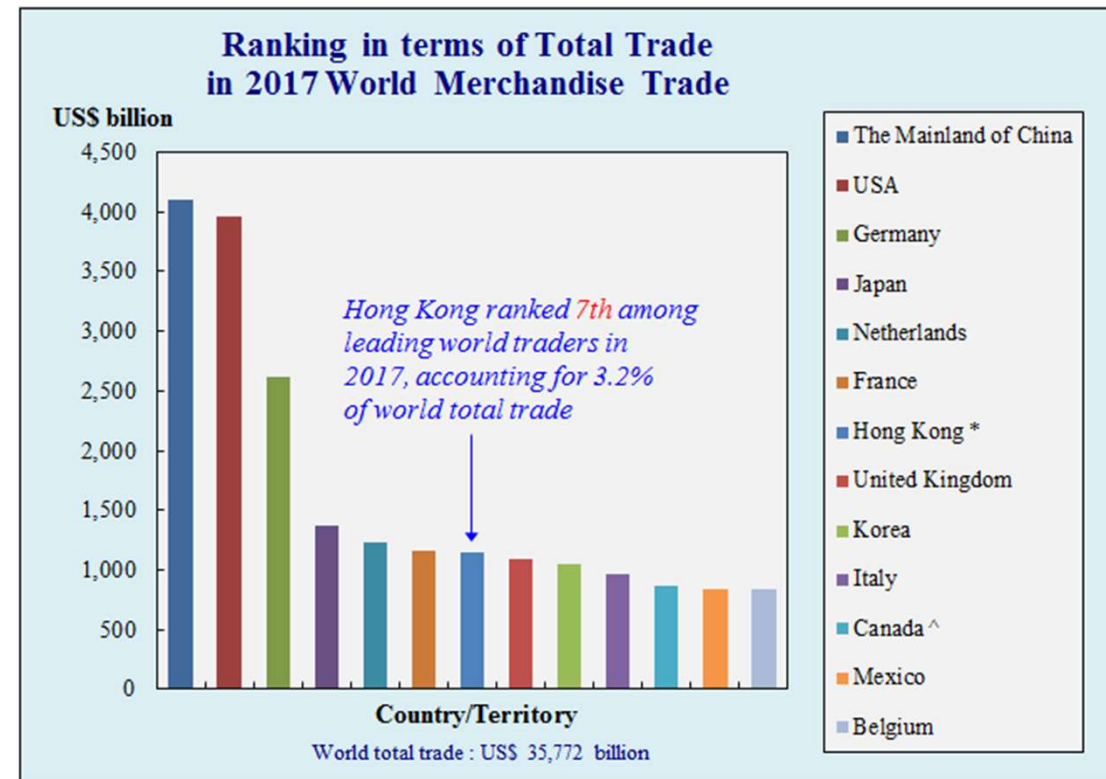
The world's leading merchandise traders

| Top ten merchandise traders in 2014 | | | | | |
|-------------------------------------|---------------|----------------|-----------------|---------------|----------------|
| Exporters | | | Importers | | |
| | US\$ billions | Per cent share | | US\$ billions | Per cent share |
| China | 2343 | 12.4 | US | 2409 | 12.7 |
| US | 1623 | 8.6 | China | 1960 | 10.3 |
| Germany | 1511 | 8 | Germany | 1217 | 6.4 |
| Japan | 684 | 3.6 | Japan | 822 | 4.3 |
| Netherlands | 672 | 3.6 | UK | 683 | 3.6 |
| France | 583 | 3.1 | France | 679 | 3.6 |
| Korea | 573 | 3 | Hong Kong** | 601 | 3.2 |
| Italy | 529 | 2.8 | Netherlands | 587 | 0.8 |
| Hong Kong* | 524 | 2.8 | Korea | 526 | 3.1 |
| UK | 507 | 2.7 | Canada | 475 | 2.8 |
| Memo: | | | Memo: | | |
| Australia (#21) | 240 | 1.3 | Australia (#22) | 238 | 1.2 |

*Of which US\$508b are re-exports
 ** Of which only US\$151b are retained imports.

HONG KONG HARD HIT- AS A TRADING HUB

- Hong Kong's maritime logistics sector, where over 70% are transshipment business.
- China-related transshipment takes up 80% of Hong Kong's transshipment business
- In terms of volume, maritime cargo makes up over 90% of Hong Kong's overall cargo volume.
- Hong Kong's trade and logistics sector contributes about 21.6% (in 2016) to GDP



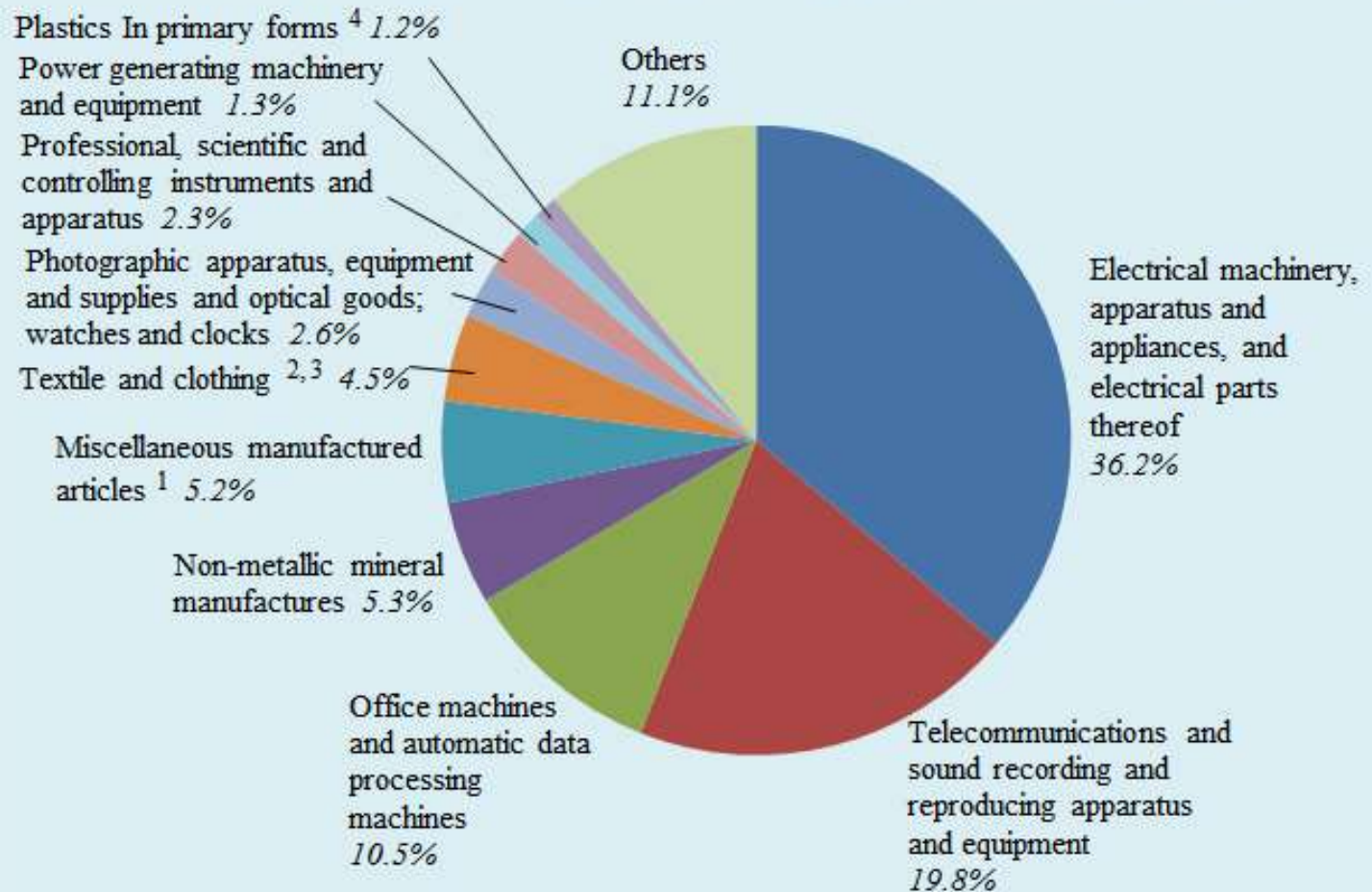
Source: Census and Statistics Department

Hong Kong's Re-exports by Main Destination, 2017

| Main Destination | Value HK\$ Million | Percentage Share | Percentage Change over the Preceding Year |
|-----------------------|-----------------------|---------------------|---|
| The Mainland of China | 2,088,561 | 54.5% | +8.5% |
| USA | 326,733 | 8.5% | +2.0% |
| India | 157,173 | 4.1% | +35.2% |
| Japan | 127,479 | 3.3% | +10.3% |
| Taiwan | 87,292 | 2.3% | +20.1% |
| Viet Nam | 77,203 | 2.0% | +9.9% |
| Germany | 73,713 | 1.9% | +10.9% |
| Netherlands | 63,771 | 1.7% | +11.7% |

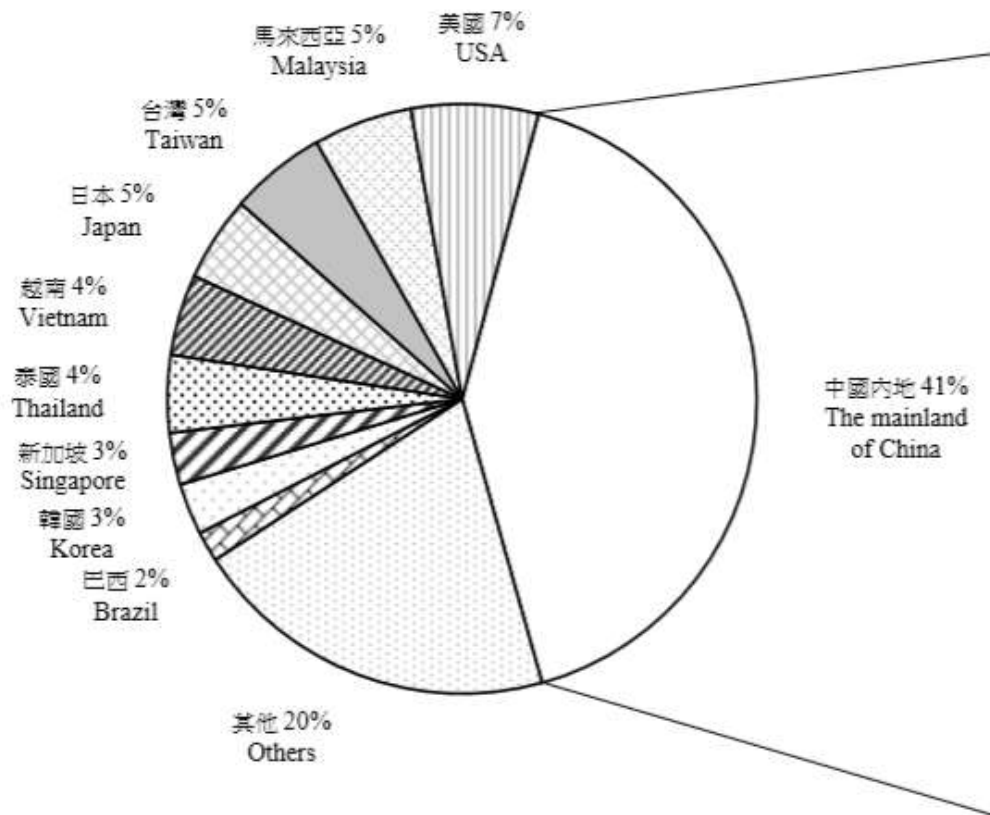
Source: Census and Statistics Department

Hong Kong's Re-exports by Major Commodity, 2017

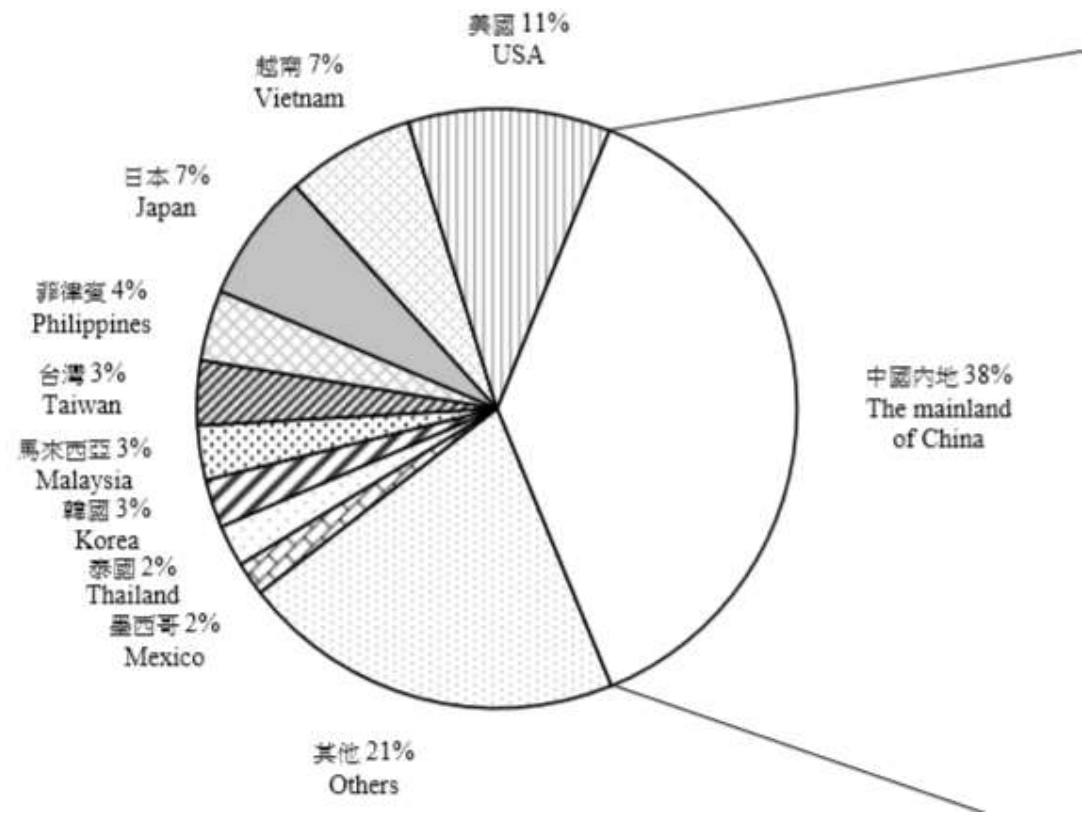


Total re-exports = HK\$ 3,832.4 billion

Share of laden containers discharged (TEU) by major country/territory of loading, Q3 2018



Share of laden containers loaded (TEU) by major country/territory of discharge, Q3 2018



Source: Census and Statistics Department

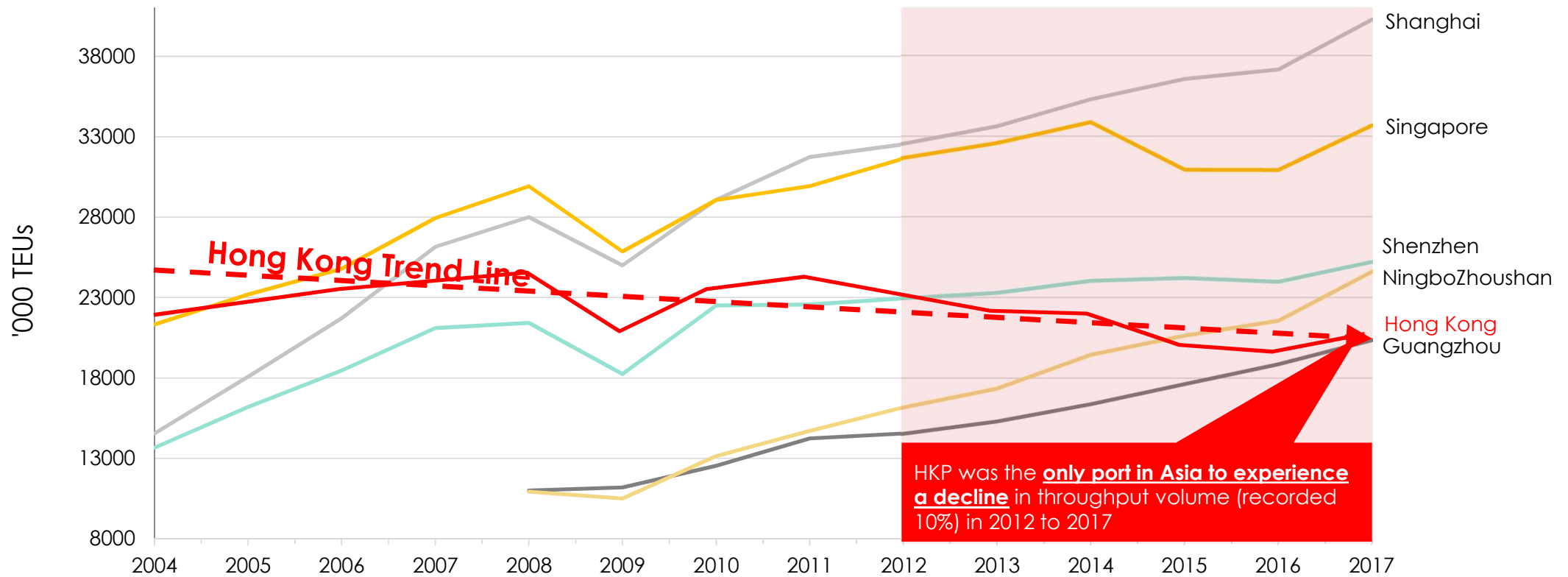
AIRFREIGHT INTERNATIONAL SCHEDULED REVENUE TONNE-KILOMETRES (RTK)

| Rank | State of AOC | RTK 2017 (million) | RTK share (%) | Cumulative (%) |
|------|----------------------|--------------------|---------------|----------------|
| 1 | China (1) | 84,412 | 12.8318% | 12.8318% |
| 2 | United States | 66,425 | 10.0975% | 22.9292% |
| 3 | United Arab Emirates | 55,863 | 8.4919% | 31.4212% |
| 4 | United Kingdom | 35,192 | 5.3497% | 36.7708% |
| 5 | Germany | 31,789 | 4.8323% | 41.6032% |
| 6 | Qatar | 24,077 | 3.6600% | 45.2632% |
| 7 | Republic of Korea | 23,650 | 3.5952% | 48.8584% |
| 8 | Turkey | 19,669 | 2.9900% | 51.8484% |
| 9 | Singapore | 19,601 | 2.9796% | 54.8281% |
| 10 | France | 19,001 | 2.8885% | 57.7165% |
| 11 | Japan | 18,992 | 2.8870% | 60.6035% |
| 12 | Ireland | 18,667 | 2.8376% | 63.4411% |
| 13 | Netherlands | 18,056 | 2.7448% | 66.1859% |
| 14 | Canada | 16,820 | 2.5569% | 68.7428% |
| 15 | Russian Federation | 14,824 | 2.2534% | 70.9962% |
| 16 | Thailand | 11,746 | 1.7856% | 72.7817% |
| 17 | Spain | 10,772 | 1.6375% | 74.4193% |
| 18 | Australia | 10,272 | 1.5614% | 75.9807% |
| 19 | Malaysia | 9,376 | 1.4253% | 77.4060% |
| 20 | India | 8,940 | 1.3590% | 78.7650% |

| Rank | State of AOC | RTK 2016 (million) | RTK share (%) | Cumulative (%) |
|------|----------------------|--------------------|---------------|----------------|
| 1 | China (1) | 76,578 | 12.7123% | 12.7123% |
| 2 | United States | 63,072 | 10.4703% | 23.1826% |
| 3 | United Arab Emirates | 53,797 | 8.9306% | 32.1132% |
| 4 | United Kingdom | 33,427 | 5.5491% | 37.6623% |
| 5 | Germany | 31,027 | 5.1506% | 42.8128% |
| 6 | Republic of Korea | 22,297 | 3.7015% | 46.5143% |
| 7 | Qatar | 21,672 | 3.5977% | 50.1120% |
| 8 | Singapore | 18,671 | 3.0995% | 53.2115% |
| 9 | France | 18,128 | 3.0094% | 56.2209% |
| 10 | Turkey | 17,167 | 2.8498% | 59.0707% |
| 11 | Japan | 16,995 | 2.8212% | 61.8919% |
| 12 | Netherlands | 16,326 | 2.7101% | 64.6021% |
| 13 | Ireland | 15,921 | 2.6429% | 67.2450% |
| 14 | Canada | 14,757 | 2.4497% | 69.6947% |
| 15 | Russian Federation | 12,202 | 2.0255% | 71.7202% |
| 16 | Thailand | 10,154 | 1.6856% | 73.4058% |
| 17 | Spain | 9,865 | 1.6376% | 75.0434% |
| 18 | Australia | 9,684 | 1.6076% | 76.6510% |
| 19 | Malaysia | 8,245 | 1.3687% | 78.0197% |
| 20 | India | 7,566 | 1.2561% | 79.2758% |

OVERVIEW

Steady decline of HKP throughput from 2004-2017



*Get well Prepared
Hope for the Best*

THANK YOU!



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