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Report Name: Hong Kong Terminal Operators Gearing up to Serve International Trade

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Prepared By: Caroline Yuen

Approved By: Alicia Hernandez

Report Highlights:

Hong Kong's world class port infrastructure facilitates the city maintaining its status as a hub for international trade. Equally important is the availability of efficient soft infrastructure. U.S. exporters are encouraged to take note of Hong Kong's efficient container terminals in their deliberations on exporting agricultural and food products to the region, particularly for perishable goods which require sophisticated and reliable cold chain services.

Hong Kong as a Food Trading Hub

Hong Kong's importance as an international trading hub is well-illustrated by its re-export data. In 2020, Hong Kong imported a total of US\$24 billion worth of agricultural and food products from the world and 29 percent, or US\$7.14 billion, of which was re-exported. Re-exports accounted for 90 percent of total exports, which valued only US\$7.9 billion. If transshipments are considered, the total cargos going through Hong Kong would be much higher. (Transshipment cargo does not list Hong Kong as the destination on the bill of lading. Therefore, they are not recorded in Hong Kong's re-export trade data.) Transshipment cargo accounted for 48 percent of Hong Kong's container throughput in 2019¹.

Food is one of the key cargos shipped through Hong Kong, accounting for 11.5 percent of port cargo throughput. Comparing direct shipment and transshipment, the latter experienced a higher average annual growth rate of 4.3 percent between 2009 and 2019.

Table 1: Port Cargo throughput by Food, Thousand MT

	Direct shipment cargo			Transshipment cargo			Overall		
	2009	2019	Average annual rate of change	2009	2019	Average annual rate of change	2009	2019	Average annual rate of change
Food; beverages and tobacco	8,940 7.8%	10,212 7.5%	+1.3%	13,130 10.2%	20,027 15.9%	+4.3%	22,070 9.1%	30,239 11.5%	+3.2

Source: Hong Kong Monthly Digest of Statistics, December 2020



Located on the southern door of China and possessing a deep-water harbor, Hong Kong has a long history of serving as a hub for international trade. It is one of the leading container ports in the world. With rapid port development in various cities in China in recent decades, Hong Kong has faced ever-increasing competition in port business. In fact, considering the business potential in China, terminal operators in Hong Kong are engaged in and subsequently expedited China's port development.

In order to enhance efficiency, facilitate long-term planning, and remain competitive, four of Hong Kong's five terminal

¹ Source: Hong Kong Monthly Digest of Statistics - Port Transshipment Cargo Statistics 2009-2019

operators formed the Hong Kong Seaport Alliance (HKSA) in January 2019. The Alliance allows for substantial cooperation of deploying shared facilities for the best services to their clients. As such, it is conducive to better capitalize on berth and yard utilization. This report looks at the strengths of Hong Kong as a trading hub.

Location

Hong Kong possesses the distinct advantage of having China as the hinterland. This can be reflected in cargo movement. China is the key destination for Hong Kong's direct and transshipment cargo with a market share of 57 and 41 percent, respectively, in 2019. Seventy one percent of Hong Kong-China transshipment movements were between Hong Kong and China's Pearl River Delta in the south.

Hong Kong is well-linked to China by a diverse mode of transport: trucks, barges, and rail. There are various options open to traders based on time and cost considerations. Hong Kong can reach affluent cities in the south such as Shenzhen, Dongguan, Guangzhou, and Zhongshan within one or two hours. Shanghai is just 24 hours away via road or train. There are over 6 million twenty-foot equivalent unit (TEU) barge transshipments between Hong Kong and China each year, reflecting the close linkage between Hong Kong and China in terms of goods' transshipment.



A valid example is fruits. In 2020, Hong Kong imported a total US\$3.68 billion worth of fresh fruit and US\$2.5 billion, or 68 percent of which, was re-exported to China. Not to mention those that are not included in re-export figures – transshipments. The reason that exporters choose Hong Kong is because the city is just four hours away from China's largest fruit wholesale market – Guangzhou Jiangnan Wholesale Fruit and Vegetable Market. The Market accounts for 70 percent of China's national fruit import trading volume. Given Hong Kong's proximity to the Jiangnan Wholesale Market, it is no surprise that goods are routed through Hong Kong on their way to China when other distinct merits of Hong Kong ports are considered.

Apart from being at the southern tip of China, Hong Kong is also well-connected to other parts of Asia. Other key destinations for Hong Kong's overall food and non-food cargos include Taiwan (5.1%), Malaysia (4.4%), Vietnam (3.9%), the United States (3.9%), Japan (3.8%), and Thailand (2.6%).

Predictable Import and Customs Regulatory Policy

Hong Kong's customs clearance is efficient. The city is a free port with no tariffs and import procedures and requirements are well-laid out. Starting in December 2018, the Hong Kong government embarked on the Single Trade Window platform allowing the trade to process various import and export trade documents electronically on one platform. Hong Kong adopted trade facilitation measures such as electronic cargo manifests, and the authorized economic operator (AEO) program under the World Customs Organization. Under the Program, local

companies that have met pre-determined security standards will be accredited as AEOs and enjoy appropriate Customs facilitation.

Efficient Port Infrastructure

Hong Kong has a natural sheltered harbor. It has a total of nine container terminals with 24 berths along the 7,794 meters long quay, covering an area of 279 hectares. The terminals can handle over 20 million TEUs a year. Hong Kong's port development has kept abreast with the growing size of vessels. In order to accommodate the latest vessel size, the Hong Kong port basin and the approaching channel has been dredged to a depth of 17 meters. Hong Kong's port is currently deep enough to receive the largest vessel in the world with a maximum capacity of 23,964 TEUs.

The Hong Kong container port is busy. The port provided about 300 container liner services per week connecting to around 420 destinations worldwide. The frequent calling of vessels implies that traders can pick up goods and put on retail shelves more quickly. Time is crucial for business.

The Hong Kong container port is efficient. It handled a total of 17.95 million TEUs in 2020. Of all cargos, many are refrigerated or reefer containers. Reefer volume was over 900,000 TEUs. The abundance of reefer plugs at container terminals is very important to maintain the quality of products, particularly perishable agricultural goods. Hong Kong has over 8,000 reefer plugs, ranking the first in South China.

Hong Kong can also provide clients with expedited cargo release service. Containers can leave the terminal as fast as 15 minutes after discharge. This is not easily attainable. Such a short turnaround time is possible only when both government customs and port operators are efficient and provide seamless services.

Flexibility

The food business is very volatile. Hong Kong's status as a free port allows for the flexibility of switching the ultimate destination of most food products. For example, if a shipment of fruits is initially meant to re-exported to China from Hong Kong, but the market condition there suddenly changes after the shipment has left the port of origin, Hong Kong traders easily can re-export the shipment to other markets such as Vietnam or Taiwan according to the latest market condition. This is possible only because Hong Kong is a free port with no barriers to trade and Hong Kong is well-connected to other markets in the region. Such flexibility is favorable to trade allowing traders to reduce loss.

Sophisticated Logistical Support

Hong Kong has a sophisticated logistical industry with expertise in handling reefer shipments. This is particularly important for perishable food products. Hong Kong has a complete and reliable cold chain service provided to high-value refrigerated shipments.

Ranking and Competition

Hong Kong once ranked as the busiest port in the world. With strong competition from ports in China including Shanghai, Ningbo-Zhoushan, and Shenzhen, the ranking dropped to eighth in 2019 at a throughput of 18.3 million TEUs. Container volume at the Hong Kong port further dropped two percent in 2020 to a total of 17.95 million TEUs.

Table 2: Ranking of Container Ports

	2009	2019
1	Singapore	Shanghai
2	Shanghai	Singapore
3	Hong Kong	Ningbo- Zhoushan
4	Shenzhen	Shenzhen
5	Busan	Guangzhou
6	Guangzhou	Busan
7	Dubai	Qingdao
8	Ningbo- Zhoushan	Hong Kong
9	Qingdao	Tianjin
10	Rotterdam	Rotterdam

Source : Hong Kong Marine Department

Attachments:

No Attachments.