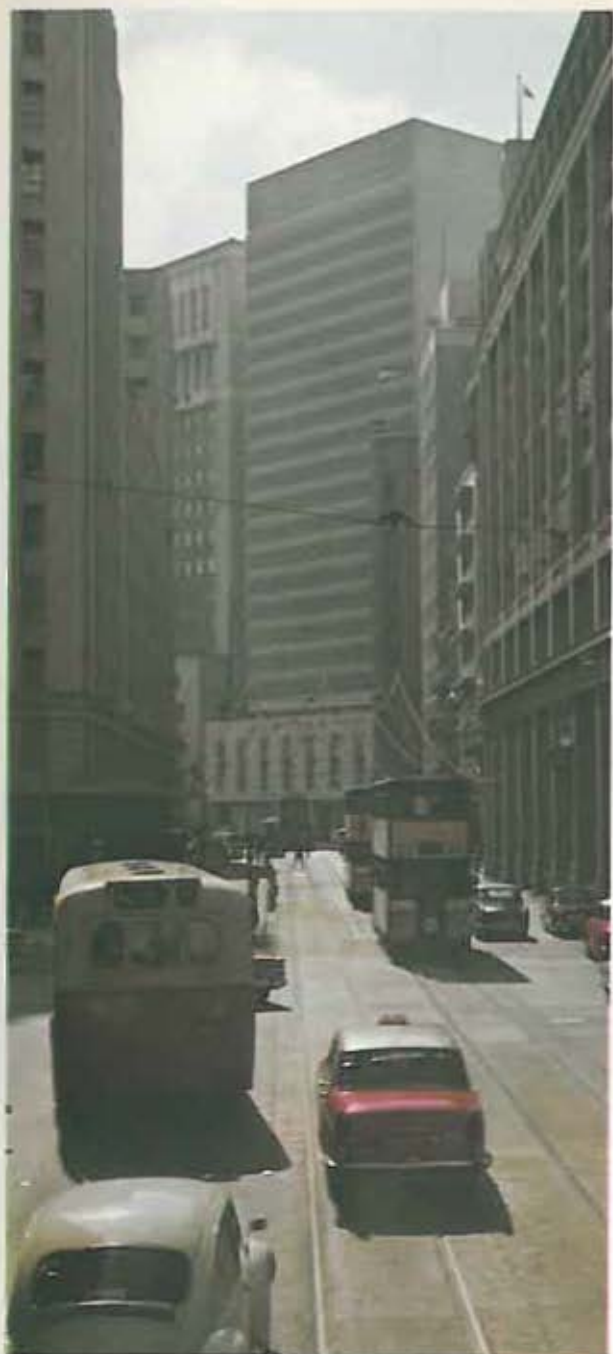


**THE HONG KONG
GENERAL CHAMBER OF
COMMERCE**



**ANNUAL REPORT
AND ACCOUNTS FOR 1967**



Acknowledgments

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GENERAL COMMITTEE

~~Hon. J. Dickson Leach, O.B.E.~~

M.A.R. Herries, O.B.E., M.C.

D.J.R. Blaker

H.J.C. Browne

Dr. the Hon. Sir Sik-nin Chau, C.B.E.

Hon. J.D. Clague, C.B.E., M.C., T.D.

Hon. H.C. Fung, O.B.E.

Hon. S.S. Gordon, C.B.E.

L. Kadoorie, Chev. Leg. d'honneur

I.H. Kendall

R.C. Lee, C.B.E.

Hon. G.R. Ross

G.M.B. Salmon

Hon. J.A.H. Saunders, D.S.O., M.C.

P.G. Williams

T.Y. Wong

Chairman

~~*Vice-Chairman*~~

Committee

SECRETARIAT

~~G. Archer~~

J. B. Kite

S. L. Chung

R. T. Griffiths

R. P. Wood

A. C. C. Stewart

~~*Executive Director*~~

Secretary

Assistant Secretaries

Bankers

The Hongkong and Shanghai Banking Corporation

Treasurers

Messrs. Lowe, Bingham & Matthews,
Chartered Accountants

CHAIRMAN'S STATEMENT

"A testing year for the community of Hong Kong but it has emerged stronger for the experience."

WHEN the year 1967 was ushered in, there were few signs of the main events that were to have such a dramatic effect on Hong Kong life.

In May a local Communist minority came out into the open and instigated disturbances which were to be with us in one form or another until the end of the year. In June war erupted in the Middle East resulting in the closure of the Suez Canal. From July to September there was a water shortage of such proportions that severe restrictions in the hours of supply had to be imposed. From September to November the long drawn out dock strike in the United Kingdom put a brake on our traditional trade whilst, in November sterling was devalued. In fact, the year closed with an unhappy record of major events affecting both the individual and commerce.



The Hon. J. Dickson Leach, Q.B.E., Chairman of the Chamber

TRADING BALANCE

Against all this background it is indeed gratifying to record that the total value of Hong Kong overall trade rose from HK\$17,660 million in 1966 to HK\$19,230 million in 1967, a nine per cent increase. The deficit on visible trade, which for the four previous years averaged HK\$2,500 million fell during 1967 to HK\$1,668 million.

Imports at HK\$10,449 million represented a four per cent increase, direct exports amounting to HK\$6,700 million improved by 17 per cent and re-exports at HK\$2,081 million were up by 14 per cent.

Imports

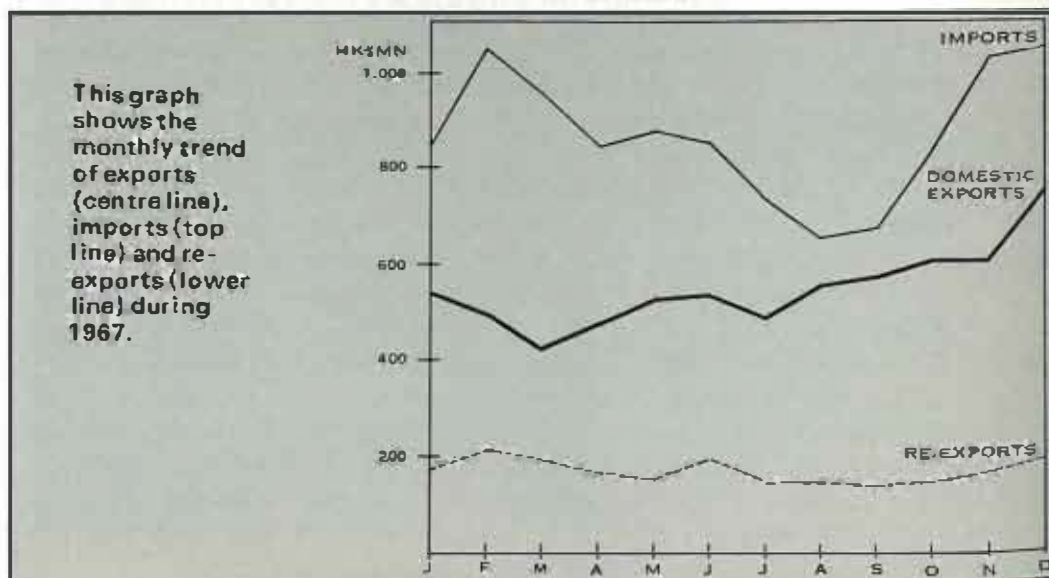
The outstanding feature in import trade was the temporary reduction during the summer of supplies from China – mostly foodstuffs – which over the year resulted in a fall of HK \$487 million with the inevitable loss of foreign exchange earnings to China. Internal communications in China were disrupted as a result of political troubles and there is good reason to doubt that all this reduction was intentional.

The four major countries which supplied Hong Kong with 64 per cent of our imports in 1967 were:

Country	1966 HK \$ Million	Percentage of total Imports	Change HK \$ Million	1967 HK \$ Million	Percentage of total Imports
China	2769	27	-487 (-17.6%)	2282	22
Japan	1839	18	+156 (+8.5%)	1995	19
U.S.A.	1090	11	+321 (+29.4%)	1411	14
U.K.	1011	10	- 27 (-2.7%)	984	9

The increase in imports from Japan mainly consisted of cameras, watches and other scientific instruments. There were also heavy arrivals during December of textile yarns and fabrics.

From the U.S.A. the main items showing increases were, electric goods, raw cotton, textile yarn and clothing. Shipments from the United Kingdom were affected by the closure of the Suez Canal, by the serious eleven week dock strike and imports were lower for these reasons.



Exports

The increase in domestic exports of 17 per cent over the 1966 figures was the outstanding feature of the year's trading. The increase was well spread — clothing, wigs, electric machinery, electric products, plasticware, handbags and toys. Although textile goods and clothing remain our most important export they now occupy a less dominant position in relation to total exports, demonstrating some success in the efforts made to diversify our range of products.

Considerable difficulty was caused to our U. K. customers by the inability of ships to unload at strikebound ports in Great Britain with the result that for a period, much cargo had to be offloaded on the Continent for later on-shipment.

The EFTA countries including the U. K. showed an encouraging 21 per cent increase in purchases although sales to the EEC areas dropped 11 per cent during the year.

Re-exports

Internal difficulties in China and Macau had an adverse effect on this section of Hong Kong trade. In the circumstances a further rise of 14 per cent, although less significant than last year, must be considered very satisfactory. The greatest increase was to Africa, mainly re-exports to Nigeria.

THE DISTURBANCES

Hong Kong is proud of its record for stability over the past twenty years. Only on three occasions had the peace and tranquility of the Colony been disturbed and then only for relatively short periods.

The events which occurred in 1967 were described aptly by the Foreign Secretary as an overspill from the cultural revolution in China.

The Colony's freedom from political strife, its economic stability and its open door policy, making it a refuge for war-torn or harassed neighbours, have made it a shining example in the Far East. This has fostered goodwill for our community and confidence in our economy. It is not surprising therefore that the politically inspired disturbances last May did not receive the measure of support for which their instigators had hoped. To quote the Colonial Secretary in his speech to the Legislative Council on 24th January, "there is a certain unity of purpose among people who are free."

Domestic events within China, the cultural revolution, the struggle for power and the red guard movement have received world publicity. It is also generally known that at the height of this internal struggle, leaders and sections of the community in China came forward to declare their allegiance to their selected party chief. It was in the light of this background that the communist troubles began in Macau in late 1966.

Meanwhile the small communist element in Hong Kong remained relatively quiet. However, encouraged by the success of the party efforts in Macau, it was probably thought by the extremists that the time was ripe for a move here in order to curry favour with higher authority outside Hong Kong. Their aim was to disrupt life in Hong Kong and create a situation whereby they could dictate terms to Government.

Although Hong Kong has an excellent record for the number of working days lost through strikes or labour disputes, it was in this sphere that the troubles commenced. The pattern was first to exploit industrial disputes which then turned to peaceful political demonstrations. These inevitably turned to violence and unacceptable demands on Government. The next stage took the form of a series of strikes directed against essential services.

Port and Public Utilities

The bus and tram services were badly disrupted over a long period but other utility undertakings continued to operate without serious disruption. Apart from the additional workload, loyal staff faced intimidation and threats in carrying out their duties.

In the port, few ships if any, manned by Chinese seamen, were delayed by crew shortages, due to the good work of the Hong Kong Seamen's Recruiting Office. The holding up of certain transshipment cargoes from China, already in Colony storage, caused inconvenience to China's customers who had already paid for the goods. China's policy of restricting transshipment cargoes from the Colony continues but it is hoped that economic considerations will lead to early resumption of this trade.

Police

Highest tribute is rightly due to the police, both Regular and Auxiliary, for their patience, understanding and restraint in handling crowds in the early stages and later, their endurance and fortitude when, having failed in the initial aim to disrupt the life of the Colony, a bombing campaign was started by the extremists. The thanks of the community are also due to members of the regular and auxiliary Armed Forces and the Fire Services for their steadfast and efficient support of the police.

Public Reaction

Nor were the commercial community found lacking and they gave expression to their feelings in a number of ways. Members of the auxiliary services were absent from their places of employment over a long period, often at considerable inconvenience. The auxiliaries were able to give their regular colleagues invaluable support.

In May, as a spontaneous tribute of public support in recognition of the invaluable services of the police, the Police Education Fund was launched. The Fund is designed to provide for the children of police officers the opportunity to reach the highest educational standards and a total of HK\$3.73 million was quickly subscribed.

After a tragic weekend in July, during which five policemen were killed at Shataukok by small arms fire from across the border and another set upon and murdered by hooligans in the Western district of the City of Victoria, the Chamber decided the commercial community should again be given an opportunity to show how clearly it stood behind the police and other forces of law and order and called for donations to the fund now known as the Chamber Dependents' Fund 1967. Nearly HK\$1 million was readily subscribed to this Fund which is administered by the Chamber as a Trust, firstly to alleviate immediate distress and secondly to assist where necessary in making provision for the bereaved. Fortunately, no further attacks of such magnitude occurred against the police, though during the period of indiscriminate placing of bombs in public places another Police Officer, an Army Sergeant and a Fire Officer lost their lives and in assaults made for the purpose of stealing revolvers three more Police Officers were killed. To date the Fund has made arrangements to help the dependents of 12 members of the community who lost their lives in the course of duty.

During all this time, the public of Hong Kong showed that they had no sympathy with the communist trouble makers. The Chamber together with other commercial and industrial associations, community leaders, Kaifongs and other responsible bodies as well as the man in the street, publicly declared their backing of Government action in dealing firmly with the trouble makers.

With public transport disrupted a degree of absenteeism would have been expected but this was not so. Workers in factories and offices were magnificent, often walking long distances to and from their places of work showing a loyalty and devotion to their employers which was most encouraging.

Towards the end of the year the extremists could see clearly that no sympathy or support was forthcoming from the public. In fact, the acts of terrorism lost them support from within their own ranks and the disturbances thus subsided.

Overseas Publicity

From the outset the Chamber was immediately conscious of the long term dangers to the Colony's economy arising from continued sensational reporting overseas of the developing situation. As early as the 29th May a letter was widely distributed overseas stating that irrespective of any reports received, Hong Kong's business was continuing as normal and we had full confidence in our ability to continue to trade and expand.

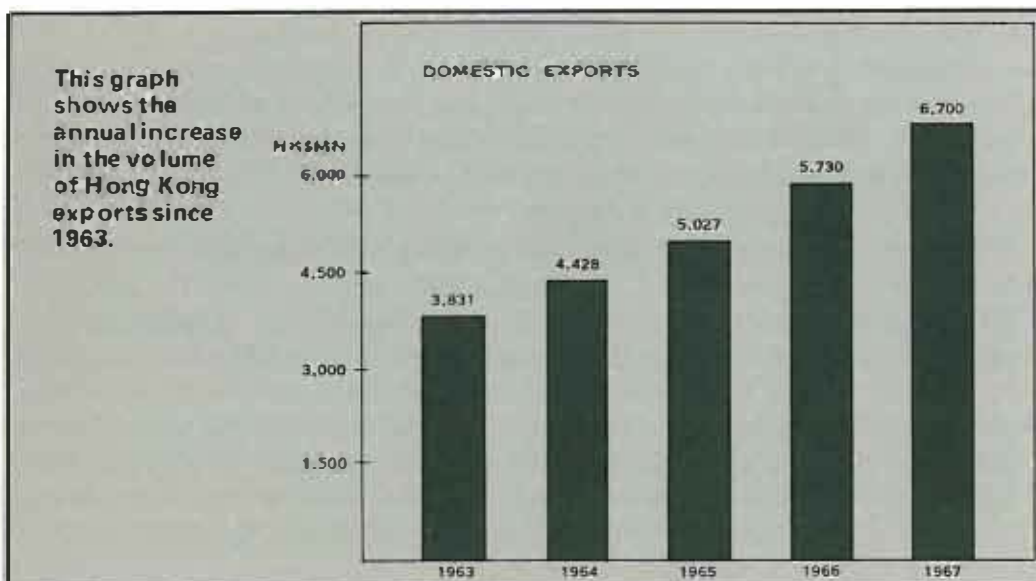
Since then, regular Fact Sheets have been distributed by the Chamber and we have co-operated with the Trade Development Council, Government Information Services and others in measures designed to maintain and build up confidence in the Colony.

WATER

For the second time in four years rainfall during the early summer was well below average. Strict water rationing had to be imposed and, with a view to ensuring supplies even at the reduced level, the massive Plover Cove storage scheme was brought into use a year earlier than originally planned, a notable achievement. It was a welcome and tangible sign of easing tension in other fields when, in accordance with the five year water supply agreement, supplies from China were resumed on 1st October and it was possible for all restrictions to be withdrawn.

HONG KONG WEEK AND THE FESTIVAL OF FASHION

Hong Kong Week, sponsored by the Federation of Hong Kong Industries, provided a welcome opportunity for the public to relax after the tensions of a trying summer. Excellent support was given by the business community, Hong Kong and Kowloon being gaily decorated for the occasion and many public and private buildings floodlit during the week. It was a colourful



spectacle and gave enjoyment to many and the Federation is to be congratulated on sponsoring this project.

Concurrently with Hong Kong Week, the Federation of Hong Kong Industries also staged, in conjunction with the Trade Development Council, a Festival of Fashions. This was an imaginative and successful venture which attracted world wide buyers who were complimentary and encouraging about Hong Kong products.

Hong Kong cannot continue to rely on the price factor alone. The demand for clothing is closely related to changes in income but as standards of living increase so do standards of taste and discernment and consumers' purchases are determined more by quality and design than by price.

STERLING DEVALUATION

Hong Kong had not been consulted prior to Britain taking the decision to devalue. In fact we had been led to believe that devaluation was impossible. Hence it was not known in advance that in 1967, unlike 1949, the Hong Kong Government would have the choice as to whether the Hong Kong dollar should follow sterling or not.

The Financial Secretary only received four hours notice that a public announcement was imminent. An early decision was imperative in view of Hong Kong's position as a leading financial centre and it was not possible quickly to ascertain the likely effect of devaluation on the Currency Reserve Fund and the Exchange Banks' position. Nor was it possible to know exactly which course other countries, including China, would follow.

In the circumstances the Hong Kong Government decided to follow sterling. Four days later when all the facts and figures had been collected and evaluated the Hong Kong Government decided that the interests of the Colony would be best served by revaluing the Hong Kong dollar against sterling at 1s. 4½d. instead of 1s. 3d. and against the US dollar at HK\$6.06 instead of HK\$5.70.

Many Hong Kong businessmen had export contracts based on sterling with no forward cover. In the light of Hong Kong's position as a Colony and the thirty years parity with sterling this was not lack of forethought. Following the revaluation of the Hong Kong dollar the Chamber advised members to endeavour to renegotiate contracts individually, but that export shipments should not be delayed. Close liaison was maintained with the London Chamber of Commerce and the Hong Kong Association in London; both helped considerably in outlining the Hong Kong position to U.K. importers. Despite their own hardships and difficulties the majority of U.K. traders co-operated fully.

The bill for imports of food, fuel and raw materials from non-devalued sources will now increase and the high import cost content of Hong Kong exports will largely cancel out any theoretical advantage of devaluation.

UNITED STATES OF AMERICA

On the positive side, a good omen for Hong Kong was the Presidential order for the "Kennedy Round" tariff reductions effective from 1st January, 1968. One of the achievements of the "Kennedy Round" was the formulation by over 20 major participants of an International Code of Practice on anti-dumping procedures. It is to be hoped that this Code will be accepted by all the contracting parties. It is designed to ensure that trade is not unjustifiably disrupted when anti-dumping complaints are examined by national governments and requires that applications by domestic producers for anti-dumping action must be supported by evidence of material injury to domestic producers as well as by evidence of dumping.

The effect of the "Kennedy Round" tariff reductions could be of significance to Hong Kong in our efforts at product diversification. It is possible that major benefits will accrue from reductions on items in which there is at present little trade. In the textile field tariff reductions are largely vitiated for Hong Kong by the GATT Cotton Textiles Arrangement and the general concern among the many participating countries over textile imports. It is of interest to recall that in the "Kennedy Round" negotiations, Hong Kong was able to accede to a request from the United States for removal of the preference margin in revenue duty on tobacco leaf which is extensively used in the Hong Kong cigarette industry.

The success of the "Kennedy Round" depends on the U.S. not introducing new tariff barriers now, following protectionist pressures from certain states. Hong Kong already operates restraint under GATT Cotton Textiles Arrangement and hopes not to be affected by the Tariff Commission enquiry on the U.S. textile industry.

UNITED KINGDOM

It was a pleasure to welcome return visits of trade missions organised by the London and Birmingham Chambers of Commerce led by our good friends, Messrs. Jeffrey Hamm and Roy King respectively. In October the Scottish Trade Mission, led by Lord Clydesmuir, included Hong Kong in their visit to Asia.

The value of these visits is immense as there is no adequate substitute for any trader to see for himself the requirements of the market in which he sells and the competition he has to encounter. We look forward to further visits in the future as there is a good market in Hong Kong for British products.

E.E.C.

The Chamber continues to watch the position regarding Britain's application for entry to the Common Market to which area Hong Kong exported nearly HK\$700 million in 1967.

No substantial improvement in these markets is foreseen in 1968. Apart from Belgium and Luxembourg exports are down to West Germany, Italy, France and the Netherlands. As intra-EEC competition increases, the competitive edge of Hong Kong prices may become less marked.

E.F.T.A.

In the EFTA group, performance and prospects are better. Though internal tariffs have been cancelled, Hong Kong improved its export performance to these seven markets by 16 per cent. Hong Kong faces increasing competition in the U.K. particularly from Portugal. In the clothing field both intra-EFTA and Hong Kong - EFTA trade increased. The main losers have been suppliers in the EEC whose share of the market fell from 46 per cent to 33 per cent, particularly in the Scandinavian and British markets.

AUSTRALIA

The Australian Tariff Board's decision in June that Hong Kong knitted shirts were sold below "normal values" was reached despite all arguments put forward by our representative in denial of artificially reduced prices. We are concerned lest this situation may carry a threat by precedent to all Hong Kong exports to Australia. Despite repeated requests from Hong Kong, Australia has not yet called for Certificates of Origin whereby Hong Kong products could be identified separately from similar goods originating in China.

So far as Hong Kong is concerned we can only repeat that "dumping" is not possible in the absence of any subsidy from any source.

CANADA

At the invitation of the Trade Development Council the Chamber organised and the Chamber Executive Director led a Hong Kong Businessmen's Mission to Canada in September. The Mission was very well received and much potential business developed. A follow-up mission was recommended.

TRADE DEVELOPMENT COUNCIL

The Council got fully into its stride during the year and was able to carry out an extensive programme of overseas promotions. These included selling missions directly organised and staffed by the T.D.C. to Austria, Australia, East Africa, Scandinavia, Spain and Switzerland as well as continuation of the Store Festivals programme in the U.S.A., this time the target being the Mid-West. Additionally, the Council subsidized and co-sponsored the Businessmen's Mission to Canada which the Chamber was invited to organise during the Autumn and supported the Festival of Fashion to which reference has been made. All these overseas operations have reported initial successes with indeed in all cases, increased exports to the country concerned being already apparent in the Trade Returns. With follow-up activities already planned for 1968, continuing benefit to our export drive is confidently anticipated.

The success which has attended the Council's efforts during the formative period is undoubtedly due to the wise leadership and energy of Mr. Godfrey Oliphant who, after a lifetime of banking in the Far East undertook for two years the appointment of Executive Director. His retirement in February 1968 left a big gap into which the Council has been fortunate to recruit Mr. Jack Cater.

In thanking Mr. Oliphant for his outstanding achievement we wish him health and happiness in his well-earned retirement and assure his successor of our continued co-operation and support.

CONCLUSION

1967 has been a testing year for the community of Hong Kong but it has emerged stronger for the experience. A growing community spirit is now evident which has never before been apparent. The major section of the population has made clear its support of Government, their policies for maintaining law and order and at the same time rejecting intimidation by political intrigue.

Much has been achieved but much remains to be done in the field of labour relations, social security and welfare. During the year the millionth person was provided with accommodation in resettlement housing which is evidence of Government's concern for its people.

I am confident regarding prospects for the future especially if Hong Kong continues to receive worldwide recognition and support as a peace-loving community. We shall continue to go out to seek trade. The quality of our merchandise continues to reach higher standards each year and provided artificial barriers are not raised against us we shall continue to compete successfully in world markets.



1967 DIARY

JANUARY

Mr. C. L. Webb, Port of London Authority.
Mr. Lee Chung Ying, ECAFE Consultant UNCTAD survey.

T. D. C. Overseas Representatives.

Mr. A. H. B. Hermann, Hong Kong Government Representative in Washington.
Italian Trade Mission.

FEBRUARY

Director of Kobe and Nagoya Area Chamber of Commerce.

MARCH

French Senate delegation "Commission des Finances du Parlement Francais".

Toyakaken (Japan) Shokoten Chamber Mission.
Ohio Far East Trade Mission.

Economic Research Mission to South East Asia.



Trade Pays with Hong Kong was the theme used behind a 'sticker' campaign launched by the Chamber. More than a quarter of a million of the bright yellow stickers were distributed to members for their overseas mail.



The Chamber's General Committee is seen here at their monthly meeting. Since this picture was taken Mr. D. J. R. Blaker has been elected to the Committee in place of Mr. S. J. Cooke.

APRIL

Leicester & County Chamber Mission.

Mr. S. H. Jerrett, Director, British Pottery Manufacturers' Federation.

Mr. Milton M. Bates, New York State Department of Commerce.

Greater San Francisco Chamber Mission.

Italian Ministry of Overseas Trade Mission.

MAY

President of the Kinshasa Chamber.

Zambian Trade Mission.

Fukushimaken Shokokaigisho Rengokai Mission.

Conseil National du Patronat.



The Hon. G.R. Ross (right) meets Mr. Katsuzo Okumura, Commissioner General of the Osaka Exposition.

JUNE

Mr. J. J. Rattray, Secretary, Singapore Employers' Federation.

JULY

National Federation of Press Women.
Nagasaki Mission.

Korean University S. E. Asian Tour.
Lord Rhodes, D. F. C.

AUGUST

Galveston (Texas) Trade Mission.

SEPTEMBER

Scottish Trade Mission.
Alabama Trade Mission.



The Hon. J. Dickson Leach, the Chamber's Chairman was invited to open an exhibition of Korean textiles in Hong Kong. He is seen here with the Korean Consul-General (left) and the manager of the Korea Trade Centre in Hong Kong.



The Chamber's Dependents' Fund, launched by the Acting Chairman, the Hon. M. A. R. Herries, M.C., as a token of the commercial community's support for the forces of law and order, quickly reached nearly HK\$1 million. Immediate benefits were provided for bereaved families and by the end of the year the Sub-Committee appointed to administer the Fund had completed arrangements for long term assistance.

The picture on the left shows the Acting Chairman passing a cheque to representatives of Pakistani policeman killed during the disturbances.

A Scottish Trade Mission led by Lord Clydesmuir, Chairman of the Executive Committee of the Scottish Council (Development and Industry) was met by representatives of the Chamber.



PEOPLE & PLACES



Mr. Michael Montague (centre) Chairman of the Asia Committee of the British National Export Council, discussed the possibilities of increasing trade between Britain and Hong Kong, with the Acting Chairman (right) and Mr. P. G. Williams of the General Committee.

OCTOBER

Mr. Victor Goodhew, M. P.
Mr. Stanley M. James Cole, Mayor of Tamworth (N. S. W.) and Mr. A. R. Dickinson.
Mr. C. R. Foggon, C. M. G., O. B. E., Labour Adviser to the Commonwealth Relations Office.
Messrs. D. W. Coe, M. P. and T. E. N. Dribarg, M. P.
London Chamber Mission.
Birmingham Chamber Mission.
Australian Chemical Industries' Mission.

NOVEMBER

Hawaiian Mission.
Wisconsin Trade Development Mission.
New Zealand Manufacturers' Federation Mission.
Commerce and Industry Association of Japan.
Gothenburg Trade Mission.

DECEMBER

Mr. Andrew Rose, High Commissioner in U. K. for Trinidad, Tobago.
San Francisco Chamber Mission.

Mr. Dudley Perkins, Director General of the Port of London Authority and Mr. C. L. Webb, Far Eastern representative of the P. L. A. commented on their visit that the port was ideal for containers.



Mr. D. F. Thomas, Secretary General of the Adelaide Chamber of Commerce speaking to a Chamber staff member, Mr. S. L. Chung, when Mr. Chung visited Australia.

THE CHAMBER'S YEAR

ANOTHER busy year for the Chamber was recorded in 1967 with increases in every phase of the Secretariat's activities. The Public Relations Department were exceptionally busy ensuring that the Chamber's overseas contacts received factual information from Hong Kong to increase business confidence in the Colony.

In these activities as in all others the closest contact was maintained with Government, the Trade Development Council and the Tourist Association.

Highlight of the year for the Chamber was its organisation at the invitation of the Trade Development Council of the Businessmen's Mission to Canada. This was the first official Hong Kong Mission to visit the North American continent. The Mission spent three weeks from Mid-September covering the Canadian market from Vancouver to Montreal where it was present for a special Hong Kong reception at Expo '67.

Public Relations

The disturbances which started in May called for immediate and sustained action by this Department which continued under the supervision of Mr. R.P. Wood.

So far as independent action by the Chamber was concerned an immediate circular letter over the signature of the Chairman was sent to our complete overseas mailing list on 29th May confirming that despite sensational reporting, the Colony and its Port were still very much in business.

The Department also carried through the Chamber's "Trade Pays with Hong Kong" postal stickers campaign providing supplies as required for members to attach to their outgoing overseas mail. Monthly Fact Sheets on the same theme were also produced and made available to members.

The Department cooperated with Government Information Services, Trade Development Council and the Tourist Association in the production of "The World of Hong Kong", a tabloid newspaper aimed at overseas commercial and tourist interests. Another activity coordinated by the Department was the joint production of the colour leaflet "Hong Kong Looks Forward" which was distributed worldwide through airlines.

Membership

Membership again showed an increase with successful applications being made by 180 new members bringing the total at the end of 1967 to 1,443.

Mr. P.M. Lam the executive in charge of the Department continued with his regular programme visits to members and called individually on nearly 1,100 of them, bringing to the attention of the Chamber their comments and suggestions for improving service.

Certification

This Department is now under the direction of Mr. A.C.C. Stewart, who was promoted to Assistant Secretary at the end year.

The previous high level of activity was maintained with over 131,000 applications processed. This total represents a small percentage increase over 1966 figures which were already a record. In spite of travelling difficulties from May onwards the outside inspectors continued to inspect consignments before shipment. As a result the Department maintained the Chamber's



During Hong Kong Week, the Chamber was one of the many organisations to display a float. The Chamber's library (right) was extended and now contains more than 700 volumes.

policy of a high rate of consignment checking of applications, nearly 17,000 inspections, (12.6 per cent) being made.

Continued close cooperation was maintained through the Certification Co-ordination Committee with the other certificate issuing authorities and it was agreed that early in 1968 all members of the C.C.C. would operate on a central register of factories. Agreement was reached in the standardisation of certificate forms through a joint committee chaired by the Secretary of the Chamber, Mr. Kite; these new forms will also be introduced early in the new year.

Business Promotion

This Department handled a total of 13,000 trade enquiries during the year which is 10 per cent more than the number processed in 1966. Over 4,700 were dealt with through the Department's punched card processing Section which handles enquiries from Britain, Europe, the U.S.A., Canada and Australia while the remaining 8,000 were notified to members in the Bulletin.









The Department continued under the direction of Mr. S.L. Chung and in addition to the work outlined above, the statistical section kept the Chamber and those members who sought them continuously provided with up-to-date trade figures.

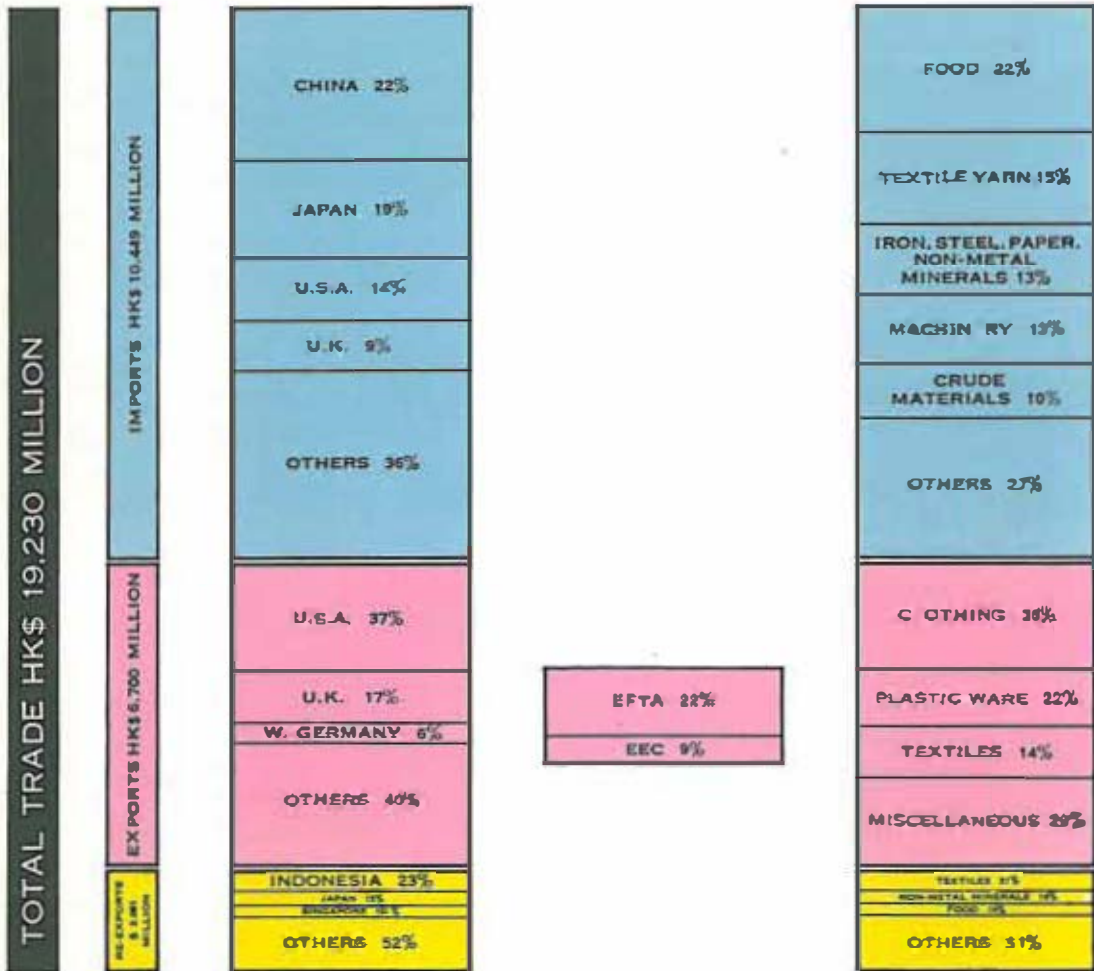
Overseas Promotion

Mr. Chung represented the Chamber on the Cathay Pacific Airlines Inaugural Flight to Seoul and was seconded to the Trade Development Council for duty on the Trade Mission which toured Australia from 13th October to 9th November.

The Chamber's main activity in overseas promotion was the Businessmen's Mission to Canada in September/October which was entirely prepared, organised and staffed by the Chamber. The Executive Director, Mr. G. Archer was leader of the Mission and he had with him Mr. R.P. Wood, Assistant Secretary and Miss P. Heng. Preparation for this Mission entailed reconnaissance visits to Canada by both Mr. Archer and Mr. R.T. Griffiths, Assistant Secretary who attended, while in Canada the biennial World Congress of the International Chamber of Commerce in Montreal during May.

TRADE WITH THE WORLD

 <p>CHINA</p>	<p>Trading followed a normal pattern for the first five months of 1967 with Hong Kong's monthly imports averaging HK\$230.84 million, almost identical with the monthly average for 1966. From June to September, however, Hong Kong imports declined to an average of HK\$113.93 million. The greatest fall was recorded in textiles and clothing although there was also a decline in the value and volume of foodstuffs. From October to December a restoration of trade was indicated with the average for these months at HK\$231.83 million.</p>
 <p>U. S. A.</p>	<p>United States of America remained Hong Kong's best customer taking 37 per cent of its domestic exports in 1967. Textiles and clothing again accounted for about 40 per cent of this record performance despite keen competition from Japan.</p>
 <p>BRITAIN</p>	<p>In spite of deflationary measures by the British Government as in the case of credit restrictions and a general curtailment of public spending, Britain purchased 16 per cent of Hong Kong's total domestic exports in 1967. But imports from Britain dropped slightly by 3 per cent.</p>
 <p>W. GERMANY</p>	<p>Domestic exports of electric goods including transistor radios to West Germany increased by 107 per cent in 1967. However, the overall figure dropped by 12 per cent because of slackening business activities in the stagnant economy.</p>
 <p>CANADA</p>	<p>Domestic exports to Canada continued to grow by 26 per cent while imports from this country decreased quietly by 1 per cent in 1967. Canadians bought more quality clothing plastic toys and flowers.</p>
 <p>JAPAN</p>	<p>Japan was the second largest trading partner to the Colony in 1967. Hong Kong merchants succeeded in surmounting the high Japanese tariffs and sales taxes, and sold 17 per cent more than in 1967.</p>
 <p>SINGAPORE</p>	<p>Singapore, which took HK\$164 million of Hong Kong's domestic exports, was the seventh most important trading partner to the Colony in 1967. Petroleum and petroleum products were the major imports from Singapore.</p>
 <p>AUSTRALIA</p>	<p>Clothing and textiles continued to be Hong Kong's most successful export items to Australia last year since the lifting of import licensing in 1960. Total domestic exports to Australia increased by 55 per cent.</p>



These graphs show Hong Kong's total trade and the percentage of imports, exports and re-exports. Also shown by percentage is the direction of Hong Kong trade with its leading suppliers and customers. The two smaller charts show exports to the European Economic Community and the European Free Trade Association countries.

OVERSEAS PROMOTIONS

This was the first full working year of the Trade Development Council, upon which the Chamber is represented by two members. In an extensive programme of active promotion they arranged for Hong Kong selling missions to visit Scandinavia, Spain, Austria and Switzerland. Below, are highlighted three other Hong Kong overseas promotions.

Canada

For the first time, Hong Kong sent an officially sponsored mission of businessmen to Canada in an endeavour to increase not only Hong Kong exports to Canada, but trade in general between the two.

The mission, which was organised by the Chamber on behalf of the Trade Development Council consisted of 14 businessmen, Mr. David T.C. Ho of the Hang Seng Bank, two Chamber employees and the leader, Mr. Geoffrey Archer, the Chamber's Executive Director.

One of the objects of the Mission was to display the diversification of Hong Kong products and the samples brought by the businessmen ranged from rattan goods, transistor radios, furniture, hardware to woollen products and outer wear.

Starting from Vancouver, the mission visited Calgary, Banff, Edmonton, Winnipeg, Toronto and finally Montreal.

The response from Canadian buyers was overwhelming. Through the co-operation of Canadian trade associations and supported by a national advertising and public relations programme, members of the Mission were inundated with orders and enquiries.

It was estimated that more than 1,800 interviews were held by members of the mission in Canada.

Such was the response to the Mission that a second delegation of Hong Kong businessmen will be sent to Canada in 1968.

Australia

Although Hong Kong exports to Australia have shown constant increases its share of this continually expanding market remains insignificant. It was with this in mind that a prominent Chamber member, Mr. T.K. Ann, led a Hong Kong Mission to Australia. On its conclusion Mr. Ann reported a feeling that Australia's high tariff protection might be changed and provide an even better market for Hong Kong made consumer goods.

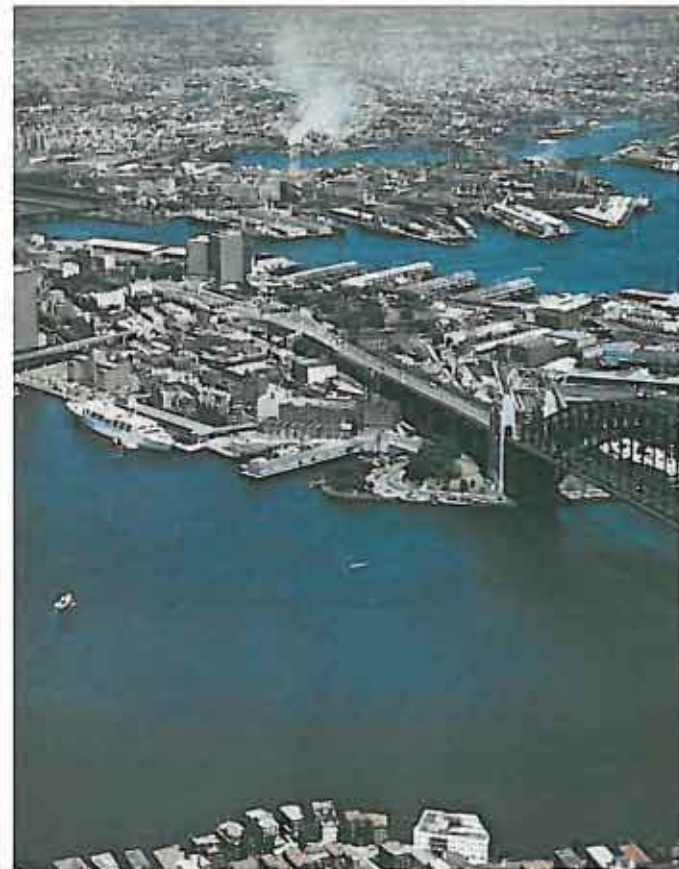
He warned, however, that chances lost by Hong Kong businessmen in Australia would be seized by South Korea and Taiwan. Mr. Ann reported that at the time of the Hong Kong Mission's visit, missions from Taiwan and South Korea were also touring Australia.

East Africa

A mobile sales caravan specially designed for the purpose was used to display Hong Kong products in a "safari" that travelled 2,000 miles in Kenya and Uganda. Members of the accompanying 18-man Mission also visited Tanzania and Zambia.

This Mission, which was organised by the Trade Development Council, was led by Mr. G.J. Connington, the T.D.C.'s representative in East Africa, and displayed samples of ready-made clothing, toys, stainless steel cutlery, pens and pencils, attache cases and carpets.

During its tour the Hong Kong caravan was seen by some 125,000 people and it is estimated that the volume of business completed by the Mission could redress the overall loss of trade incurred in East and Central Africa during the first half of 1967.

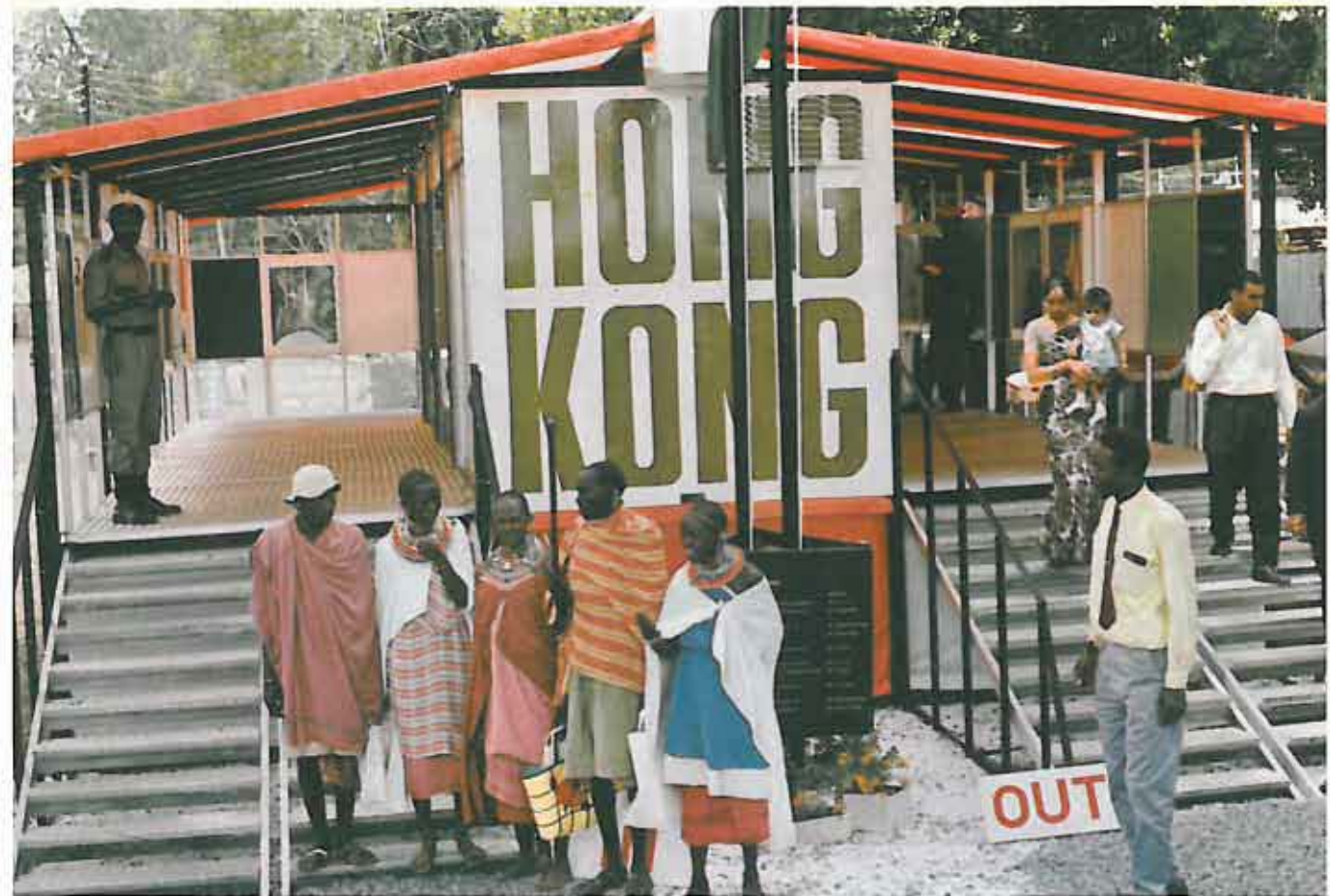


Australia was once again the objective of a Hong Kong selling mission.

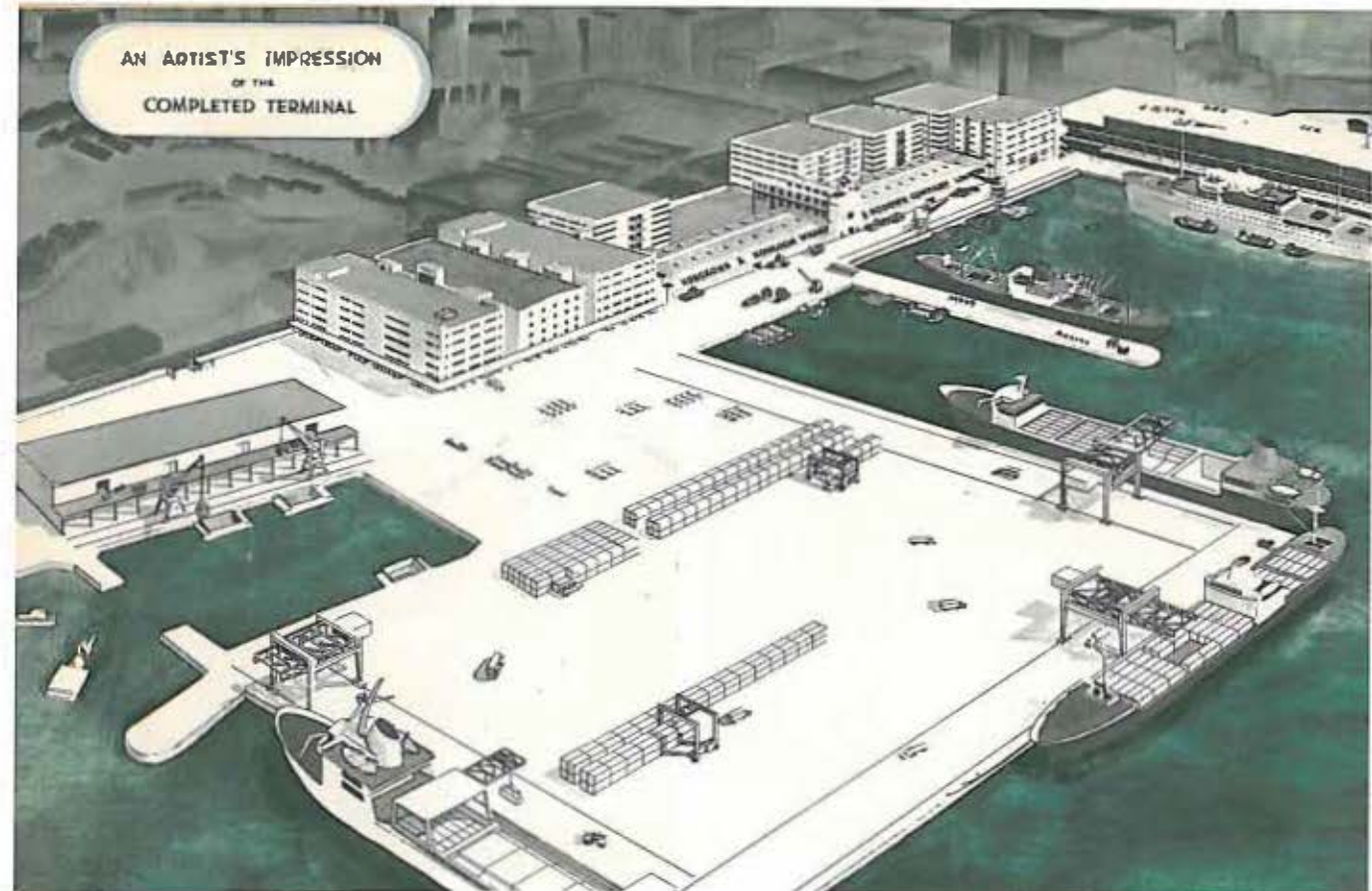


The mobile sales caravan designed for the East Africa promotion of Hong Kong.

Members of the Hong Kong Businessmen Mission to Canada leave Kai Tak airport.



AN ARTIST'S IMPRESSION
OF THE
COMPLETED TERMINAL



The Shape of the Future

Containerisation has become a key question in Hong Kong. At present the port of Hong Kong has a world-wide reputation for efficient, economical and fast handling of cargo from vessels either in mid-harbour or in berths.

It is estimated that by 1970 fully cellular containerships will serve Hong Kong and that the port must provide facilities for containerships and be large enough to cope with a trade, which in 20 years' time could well be double what it is today.

In juxtaposition with the artist's impression of container handling facilities is shown (top right) the traditional method of unloading cargo in mid-harbour. Opposite, in contrast to each other, is waterfront cargo movement. Lighters in Hong Kong (centre, right) are used as floating warehouses and are as indispensable to the harbour as the giant ocean liner visitors, (bottom right) such as the Oriana, seen making a dramatic entrance through the mist to berth at the Ocean terminal.





SHIPPING AND THE PORT

THE outstanding feature of 1967 has been the phenomenal increase in shipments to the Americas. To the U.S.A. there has been an increase of about 20 per cent over 1966, and to the rest of the Americas (South America, Central America, the Caribbean area and Canada), the increase has averaged about 10 per cent. More than two ships a day have loaded in Hong Kong and sailed for North America in 1967, thereby giving an excellent service to shippers. There has been, on the average, a shipping opportunity to Central America and the Caribbean every other day and also frequent services to South America. Competition between the shipping lines, particularly to the Atlantic Coast of the U.S.A., has further intensified.

Owing to a general increase in costs, particularly in cargo-handling in North America where a large proportion of the total freight (often 20/40 per cent) is absorbed by stevedoring costs, the shipping lines were obliged to increase freight rates by about 5 per cent on 1st July, 1967.

Cargo to Europe in 1967 has registered only a small increase. The Suez Canal was closed in June and shipping to and from Europe had to be diverted around the Cape of Good Hope; some lines have found it expedient to use the Panama Canal. These diversions of course caused some temporary dislocation in schedules and the shipping lines have been compelled to apply a surcharge on freights to assist them in covering the increased costs.

To East and South Africa there has been a general increase in shipments of about 10 per cent with a marked increase lately following the Hong Kong Trade Mission's visit to Africa in September. This has been a welcome feature of Hong Kong's trade in 1967. The Hong Kong/West African trade has been about the same in volume as last year.

In the local trades from Hong Kong (e.g. to Taiwan, Japan etc.) there has been a steady and encouraging increase in shipments.

A feature of the last half of 1967 has been the almost complete drying-up, for political reasons, of the former considerable volume of transshipment cargo through Hong Kong from the China Mainland to all destinations.

The Hong Kong Shippers' Council is now firmly established and provides a welcome channel for liaison between merchants and shipowners.

Sale & Purchase and Chartering.

The Hong Kong sale and purchase market for second hand ships reacted to the political disturbances in recent months. Several local owners opened new offices in Taiwan and Singapore and one or two small companies moved out of the Colony altogether. During the height of the trouble, little ship-breaking took place; prior to this, shipbreaking labour had obtained a 10% increase in wages. Apart from this, the shipbreaking industry in Taiwan offered strong competition and took considerably more ships than their Hong Kong counterparts. In trading, Hong Kong based operators continued to purchase new and second hand tonnage including large Japanese new-buildings. The year has been marked by a resumption of trading between Indonesia and Malaysia and a falling off in the Indonesia/Hong Kong shipments. Elsewhere a Russian flag liner service has entered the Far East/India run. The Suez crisis was reflected in heavy increases in the rates for large-size ships although this boom has now dissipated.

Hong Kong's Harbour.

What we all tend to take for granted is that Hong Kong as such would not exist without its port, which is steadily growing in size and attracting more regular services to every conceivable destination.

In last year's annual report, the following remarks appeared:-

Hong Kong may be able to continue for two or three years to compete by conventional means but the cry in all other sophisticated areas is

for "unitisation" in some form or other. In particular, the world is only now beginning to appreciate the impact of containers and there may come a time when this port will lose its automatic right to expect routine calls by the major shipping services unless it is in a position to handle the type of container shipping which requires special facilities ashore.

Since then, the Hong Kong Government's Container Committee has made two reports recommending prompt action to establish a Container Terminal in order to ensure that our competitors in trade to major world markets do not steal a march on us. It is to be hoped that a decision on a container port will be made in 1968.

AIR FREIGHT

The year has seen the unprecedented usage of air transport for freight carriage, much of which takes the form of locally manufactured products such as textiles, plastics and electronic equipment.

Nowhere is the need for the expansion of existing facilities at Hong Kong's Kai Tak airport more apparent than in the field of cargo handling. The volume of cargo increased from some 4,780,650 kgs. in 1966 to more than 26,512,640 kgs. in 1967. Studies undertaken by the Department of Civil Aviation indicate that it can be expected to continue to increase at an average annual growth rate of some 25 to 35 per cent. By 1976 the total volume of air freight in and out of Hong Kong may well exceed 200 million kilos a year, and sophisticated modern facilities will be required to handle this amount of traffic if the benefits of fast air carriage are not to be lost.

Consideration is presently being given to the engagement of consultants specialised in this field to assist in the design of a completely new airport cargo handling complex, while to meet the needs of the immediate future a HK\$2.6 million plan to improve the existing freight building will shortly be initiated.

Studies have also been made of the need for extension to the runway and work is advanced on an extension of the aircraft parking apron which on completion will provide accommodation of all aircraft including the 'Jumbo' jet.



The use of air freight has seen an unprecedented rise during the year and this picture shows cargo loading on board a B.O.A.C. aircraft, one of the many airlines to use Hong Kong.

MAINTENANCE SERVICES



Hong Kong's two major dockyard companies, the Taikoo Dockyard and Engineering Co., and the Hongkong and Whampoa Dock Co., Ltd., handle all types of repairs and conversions.

Ship Repair

A high proportion of the work undertaken by the Taikoo Dockyard Company consisted of major conversion jobs won against stiff international competition. The volume of normal ship repairs and survey work fell off after May, associated with the decline in the number of ships calling in Hong Kong during the second half of the year.

The 2,610 DWT roll-on roll-off sternloading motor cargo ship, "Haweá" was delivered by the yard to The Union Steam Ship Co. of New Zealand in October.

Major conversions were made on six vessels. These covered sideport loading, lengthening, broadening and deepening and the installation of automatic tweendeck hatch covers.

Aircraft Repair

The rapid increase in aircraft movements led to a considerable expansion in maintenance activities. In the airframe department of the Hong Kong Aircraft Engineering Co. Ltd., the conversions of two further Convair 880M aircraft for Cathay Pacific Airways were completed and a large number of overhauls for many and various customers carried out, this included a DC-6B aircraft from Afghanistan. In the engine overhaul department, although piston engines continued to provide a large proportion of the work, greater emphasis was being placed on modern turbo-prop and turbo jet engines.

The increasing use of Hong Kong's airport has brought more work to the aircraft repair industry.



UTILITIES

Hong Kong Telephone Co. Ltd.

With a total number of telephones installed exceeding 350,000 by the end of the year, Hong Kong now has the highest penetration figure in the Asian Continent, apart from Japan. This figure is equal to almost 10 per 100 of the population. An all-time record net gain in exchange lines of 45,113 compared with 33,231 during the previous year was also achieved. The waiting list for new lines was reduced by almost 10,000 to 28,623 and eight new exchanges were commissioned, including five on outlying islands.

The Hong Kong Electric Co., Ltd.

The first of the two 60 MW generators and boilers at Aplichau Station were ready for testing prior to commissioning by the end of the year. The first of three new 66kV (later to be 132kV) overhead lines was almost complete and four 132kV underground cables were laid. The maximum load of the Company's generating plant increased to 220 MW and the units sold increased to 890.1 million kWh. These figures show an increase of 9.24 and 9.09 per cent over the corresponding figures for 1966.

Preparations were made for the housing and utilisation of the I.C.T. computer which is expected to arrive in the Autumn of 1968.

China Light and Power Co. Ltd.

The generating station at Hok Yuen now has a capacity of 662.5 MW which includes two 60 MW units commissioned during 1967.

Rapid progress is also being made in the erection of 'A' station at Tsing Yi which will house Hong Kong's first two 120 MW units. These are expected to start supplying electricity in 1969, the first unit in the Spring and the second in Autumn. Seven major sub-stations were also inaugurated and the number of consumers increased by approximately 40,000 to more than 428,000.

Dominating the fishing port of Aberdeen is the new Aplichau power station from which electricity will be carried by both overhead and underground cables.



BANKING

THE year 1967 has proved to be a considerable problem for the banking industry and it has had to face more than one type of unusual situation. The first four-and-a-half months of the year saw a satisfactory period of expansion with a growth in deposits from \$8.4 billion to a high point of \$8.972 billion at the end of April. During this time, generally speaking, credit tended to become easier and banks continued to increase their liquidity with a large part of the surplus funds being held abroad as in the past. When the disturbances burst upon us in the middle of May the situation underwent a radical change. Deposits left the banking system in considerable volume and the figures at the end of that month recorded a drop of no less than \$502 million. Deposits continued to decrease throughout June and July but to a degree at least, a part of the erosion in these latter months was as a result of the Middle East war and the closure of the Suez Canal which brought about further rumours of sterling devaluation.

International Situation

With the international situation continuing to be unsettled and the spate of border incidents, there was little improvement in confidence and deposits reached a low point of \$7.810 billion at the end of August. Concurrently with the drop in deposits, the note issuing banks were forced into a large and unseasonal expansion of the currency to meet the demand for cash by customers who were, no doubt, bearing in mind the shortage of notes which appeared in the 1965 banking crisis. As a result, notes in circulation had risen to \$2.422 billion at the end of July as against \$1.751 billion at the end of April. However, inasmuch as the cash remained within the Colony it could be taken as a sign that the population were insuring themselves against short-term contingencies rather than exhibiting a loss of confidence in the banking system or in the political stability of Hong Kong. Although these large withdrawals in deposits caused considerable inconvenience, none of the banks experienced any real strain due to the high liquidity of the banking system as a whole. In addition of course, with the previous experience in the banking crisis behind them, local bankers were able to take the necessary steps with a greater degree of confidence.

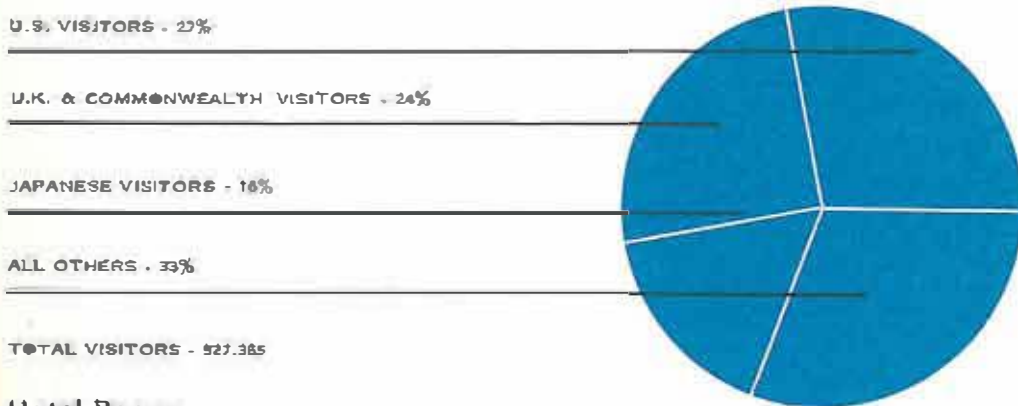
At the height of the drain on deposits, banks were accused of unfairly restricting credit and there were, of course, some instances of loans being recalled. Nevertheless, this was not the general rule and it is interesting to note that total loans and advances by the banks actually increased in June, remained stable throughout July and started to contract only in August. This somewhat late contraction in advances is only partly a reflection of the steps banks had taken earlier to restrict new facilities. As much as anything else, the contraction in advances was due to a lack of demand from good borrowers and also to a small extent to the newly amended Banking Ordinance which became effective in November, bringing in more rigid rules for the estimation of liquid assets. Nevertheless, in November the ratio of advances to deposits at 65.8 per cent was still relatively high and noticeably above the level at the end of April when the ratio was 63.4 per cent.

Deposit Increase

In September, with the gradual lessening of tension, deposits showed a slight increase for the first time in five months, since then they have been rising steadily and total deposits at the year end had recovered to \$8.161 Billion. Loans and advances however, have continued to contract, to stand at \$5.343 Billion at the 31st December 1967. It would seem likely, therefore, that businessmen are still adopting a "wait and see" attitude before embarking on expansion plans, although on the theory that it is the banks who are restricting credit, once again some sectors of industry have called for the

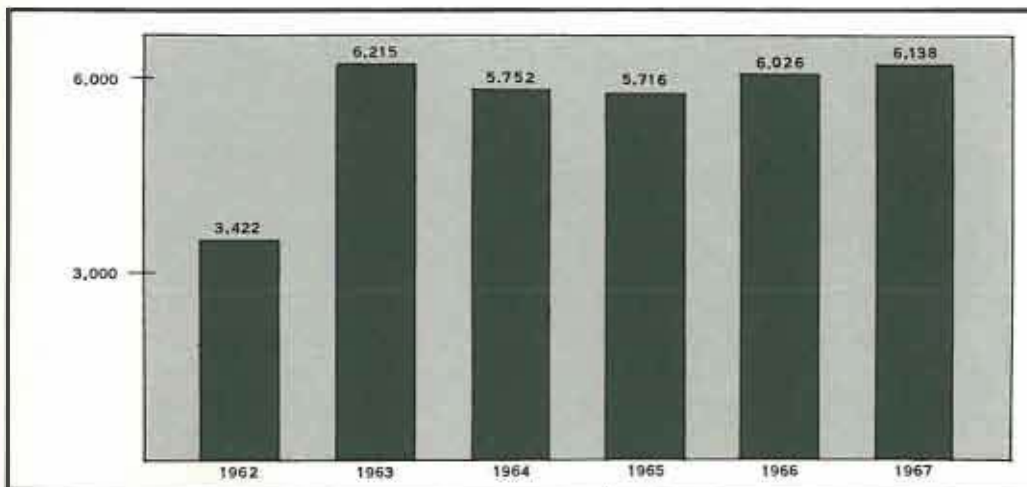
TOURISM

The graph below illustrates the origin of visitors to Hong Kong. As can be seen the highest proportion of visitors are from the U.S.A. with British Commonwealth tourists following second. Servicemen visiting Hong Kong are not included in these figures.



Hotel Rooms

This chart shows the dramatic increase since 1962 of the number of hotel rooms available in Hong Kong. The closure of two hotels and a system of reclassification is responsible for the drop in 1964.



Once again Hong Kong attracted more tourists than ever before during the year. Although the increase of 4.28 per cent in 1967 over the previous year was below expectations, the fact that there was an increase at all must be attributed to the remarkable resilience of the tourist industry and the continued attraction of Hong Kong to visitors from around the world.

Tourists from America continued to dominate the statistics although there was a 1.69 per cent drop from 1966. British and Commonwealth visitors increased by 3.12 per cent while the highest increase was recorded by visitors from Japan.

Revenue from tourism is estimated at more than HK\$1,000 million and in line with this vital role in the community's economy, hotel accommodation was increased.

TEXTILES

DESPITE poor market conditions in the U.S.A. in the early part of the year, performance in this export category was good with exports of clothing up 14 per cent at HK\$2,317 million and textiles up two per cent at HK\$936 million.

These two categories accounted for 49 per cent of Hong Kong's total exports as compared with 52 per cent in 1966, a welcome indication of Hong Kong's lessening dependence on these items. Re-exports show even greater increases, textiles up 26 per cent at HK\$445 million and clothing up 21 per cent at HK\$29 million.

Largest Market

The United States continues to be Hong Kong's largest single market. It imported a greater quantity of fabrics and made-ups, but a slightly lower quantity of cotton yarns and apparel. Hong Kong's manufacturers have been quick to respond to the man-made fibres challenge. Exports of locally manufactured synthetic textile shirts are now being sold in 90 different overseas markets, and reached the record level of HK\$193 million, the biggest buyers being U.S.A. and Canada. By contrast the export of cotton shirts to all our main markets has fallen off.

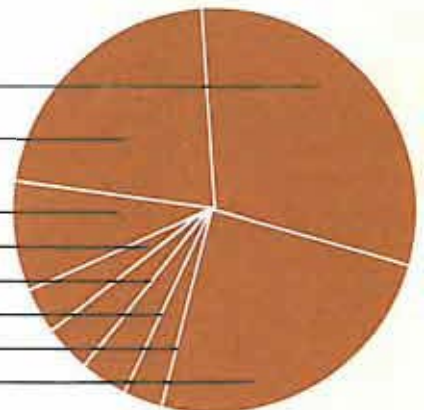
Exports to EFTA

Hong Kong continues to broaden the market as well as the product base for her textile products as is shown by our increasing exports to the European Free Trade Association countries for example, in the face of keen competition. Following his leadership of a mission to Australia in October, Mr. T. K. Ann reported that Australia presents an opportunity provided Hong Kong attempts to compete in quality as well as on price. The Australia tariff of 55 per cent on many textile items and, since July 1st, 1967, the additional ad valorem duty on certain textile products are barriers that will require effort and patience to be surmounted. Mr. Ann also reported that there are welcome signs that the Australian philosophy of high tariff products is changing.

Import Decrease

The import figure for raw cotton shows a nine per cent fall from HK\$461 million to HK\$419 million indicating the easing of prices, a small rundown of manufactured stock owing to temporary market uncertainties which followed in the wake of the political disturbances in the middle of the year, and the swing from cotton to synthetic yarns.

U. S. A.	31%
U. K.	22%
W. GERMANY	8%
CANADA	4%
AUSTRALIA	4%
SWEDEN	4%
INDONESIA	3%
ALL OTHERS	24%



DIRECTION OF TEXTILE EXPORTS BY COUNTRIES SHOWN IN PERCENTAGES OF MONETARY VALUE



The Hong Kong Festival of Fashion provided an opportunity for local manufacturers to display examples of their work.



The two examples of local fashion above are drawn from a wide selection of both day and evening wear available to overseas buyers.



INDUSTRIAL REVIEW

Plastic toys

Generally, the events of 1967, including Britain's devaluation had little effect upon the plastic toy industry with a production increase of 32 per cent over 1966.

In particular, the greatest increase was recorded in sales of plastic dolls reaching their peak in September and almost doubling the figures for the corresponding month in the previous year. Hong Kong is now one of the biggest producers and suppliers of plastic dolls in the world.

In line with the annual 20 per cent growth, plastic toys with and without electric motors maintained their export figures. Non-motorized toys account for approximately 87 per cent of the industry's total output.

The year has been particularly outstanding for the progress made by Hong Kong industrialists in management and production techniques. Advanced packaging is now being applied by a small section of the plastic toy industry. However, it is felt that a greater portion of the industry must make increasing use of these new techniques if it is to remain competitive in world markets.

Aluminium extrusion

Aluminium extrusion is a relatively new industry in Hong Kong, yet despite competition from imported products and the limited overseas market, the Colony's sole plant is in active operation satisfying the local market and also developing an export trade with the surrounding South East Asian countries and as far as the United Kingdom. This has been made possible by offering competitive prices, high quality products, quick delivery and an excellent technical service.

The plant, which is owned by the Hong Kong Chiap Hua Mfy. Co. Ltd., began operation in 1964 with some 30 employees. Today more than 170 people are fulfilling local and overseas orders. Exports account for some 40 per cent of the total production. At full capacity, the plant is capable of turning out 5,000 tons of aluminium extruded sections a year. Raw material, aluminium billets, are supplied by Australia.

The potential threat facing local extruders is a fear of dumping in Hong Kong by foreign importers. This danger has forced many countries to impose quota or high tariff restrictions on imports thus limiting the number of markets open to Hong Kong.

In an endeavour to overcome these difficulties the answer would appear to lie in developing markets in under-developed countries where extrusions are not yet widely used and to place a special emphasis on product design and innovate new systems which can be marketed as patented products.

Flashlights

Battery-operated lamps have for some time been one of Hong Kong's principal exports and 1967 saw further developments in technique and design. Demand continued to increase for both high quality brass or aluminium models, secondary merchandise and inexpensive items of seamed tin plate.

Market trends continued in a definite pattern with those in the West seeking high quality whereas potential demand in the Middle East and Asian countries was for the less expensive items.

Fastener and needle products

Since the cancellation by the European Wood Screw Conference of their agreement with the three leading Hong Kong wood screw manufacturers, there has been increasing difficulties in marketing. Yet during 1967 more than 20 new screw factories were registered.



Below is shown one of the smaller textile firms. The progress made by small industries has been particularly prominent in recent years.

The picture above shows the assembly line in one of the many transistor radio factories where high quality sophisticated equipment is produced.

The picture below shows work on the new overhead electric pylons which are helping to carry additional power in Hong Kong island.



Industrial Review—Contd.

Japan continued to be Hong Kong's strongest competitor while price competition, particularly in the United States, remained keen. Survival in the local industry appeared to lie in a concentration on modern management, mechanisation, automation and co-operation among manufacturers.

Demand fell during the year for machine screws which are now being gradually replaced by sheet metal screws. The export of bolts and nuts was also unsatisfactory due to the high content of imported raw material, unfavourable freight rates and overseas import duties.

The local demand for sheet metal screws is considerable, especially from the electronic and toy industries and plans are now being made by several local factories to enter this field of production.

Despite a general decline in world demand, the export of hand sewing needles remained steady, partly due to a low cost structure and streamlined management. A bright future is forecast for good quality knitting needles and production of this item remain satisfactory.

Wigs

Since its beginning in 1962 as a small family industry, wig-making has developed at a phenomenal pace and 1967 saw it marked as Hong Kong's sixth largest industry.

The United States remains in the dominant market, although a severe blow was dealt in 1965 when the United States Government stopped imports of wigs made from hair originating from China. Although new regulations helped to alleviate the situation, many of the smaller manufacturers were forced out of business while competition from Korea, Taiwan and India increased as their own industry developed.

Much of the increase in the export of wigs is due to the popularity of coloured wigs, particularly to the United States and Africa.

Future prospects continue to be bright although the industry will need greater sophistication and ingenuity to remain competitive.

Transistor Radios

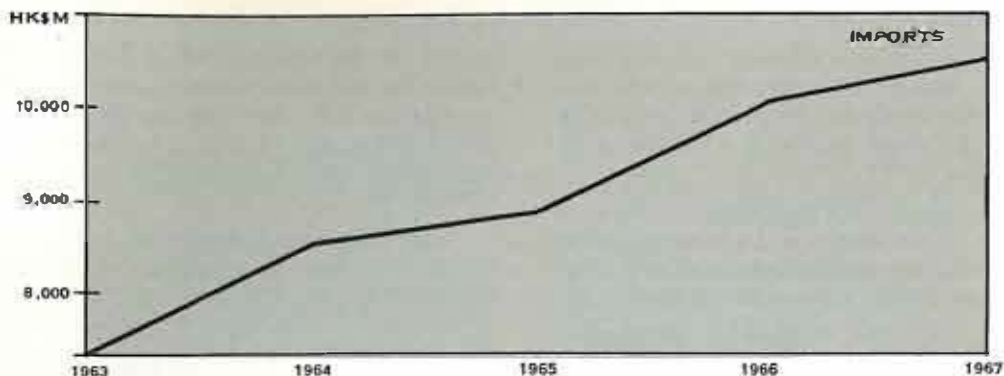
The year has seen the coming of age of Hong Kong's transistor radio industry when not only markets were diversified but products were improved and there was a general strengthening of the component-making industry and a stabilisation of its work force.

The second quarter of 1967 was, however, disappointing in which the total export of transistor radios to the United States fell from the overall average of 78 per cent in 1966 to an all time low of 51 per cent, resulting in a corresponding fall in dollar value from 74 per cent to 52 per cent.

Exports to the United Kingdom, Canada, West Germany, Spain, Central and South American countries continued to show substantial increases and more than compensated for the drop in U.S. orders with the result that generally transistor radio exports during 1967 increased by 13.7 per cent compared with the previous year.

Hong Kong is now manufacturing more sophisticated and quality radios than before with these ranging from AM/Fm and multi-band sets to deluxe, table and luggage types. This is a healthy trend evidenced by the fact that the average unit selling price to the United States showed an increase of almost 20 per cent compared to 1966.

TRADE REVIEW



Imports

By major commodities there were falls of 24 per cent in live animals for food from China, eight per cent in clothing, textiles, yarn, fabrics and made-ups, eight per cent in raw cotton imports (reflecting lower prices rather than volume), eight per cent in iron, steel, and non-ferrous metal (reflecting the recession in real estate) and three per cent in non-metallic minerals.

There were import value increases of 39 per cent in cereals and cereal preparations, 25 per cent in fish and fish preparations, 16 per cent in plastics, 29 per cent in scientific instruments and seven per cent in fruit and vegetables.

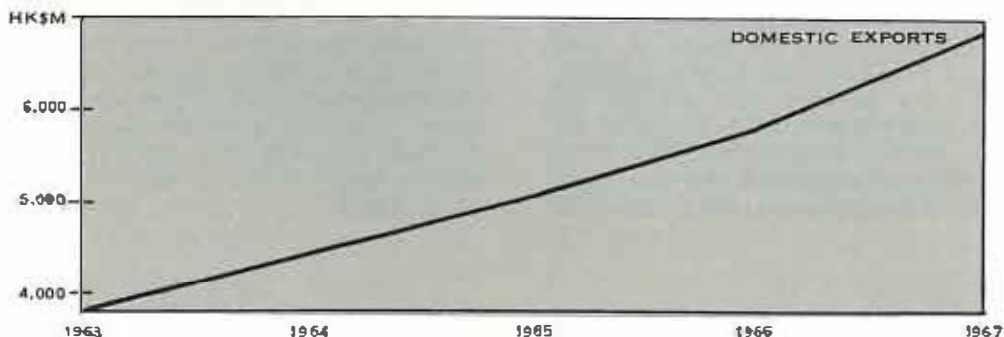
The year proved a difficult one for imports, including as it did the closure of the Suez Canal, the local disturbances which shook the confidence of the market, the devaluation of sterling, and for importers of British products, disruption of deliveries due to the prolonged dock strike.

Generally, the four per cent increase recorded in 1967 was the lowest for five years and was due primarily to a 16 per cent drop in imports from China.

Exports

Of the major markets in which Hong Kong failed to outsell its previous records, West Germany, down 12 per cent to HK\$370.8 million, is the most noticeable, a reflection of that country's continuing economic unease. The Netherlands also dropped HK\$10.7 million to \$109.4 million, and Malaysia bought 13 per cent less than last year at HK\$109.6 million.

Outshining all buying countries was the United States which bought 37 per cent of Hong Kong's domestic output and increased its buying from HK \$2,036 to HK \$2,504 million. In reaching the latter figure the United States accounted for nearly half (48 per cent) of Hong Kong's net increase in domestic exports. The markets in which Hong Kong surged ahead fastest in 1967 were Sweden (up 57 per cent) and Australia (up 55 per cent) with Indonesia not far behind (up 48 per cent). Sales to the United Kingdom, Hong Kong's second largest market, increased by 16 per cent and the first time broke through the billion dollar barrier.



THE ANNUAL MEETING

At the Annual General Meeting held on 20th. March, 1967, the Report and Accounts were presented by the Chairman, the Hon. G.R. Ross. Below is a summary of his speech.

The Report and Accounts for the year ended 31st December 1966 have been in your hands for several days, and with your permission I shall take them as read.

The Accounts reflect a satisfactory position and require little comment. I draw your attention to slight changes in the order of the Income and Expenditure Account which now conforms with our budget presentation. Also heretofore not all staff were members of the Provident Fund since in some cases there was a delayed time for qualifying which in turn resulted in uneven charges in our accounts. During the year therefore your Committee decided to regularize the position and extend the benefits of the scheme to all Chamber personnel on completion of three months probationary service. The necessary provision has therefore been made retroactive by way of starting grants for those qualified on 1st January this year.

As a further sum of HK\$100,000 has been added to the Reserve for Trade Promotion I should like to expand a little on this subject. A few years ago the Chamber was very active in the field of trade promotion and public relations overseas, but this has to a large extent been superseded by the activities of the Trade Development Council. As you know, the Chamber pledge full support to the Council and it is a little difficult at the moment to see where our future overseas activities lie without overlapping or conflicting with those of the Council. They may be in some specific research, such as the effect on Hong Kong if Britain joins the E.E.C., or we may undertake special missions abroad for the benefit of members, if thought desirable. A point to be borne in mind, however, is that when the Chamber undertakes a venture in conjunction with the Council on any specific project it must be for the benefit of Hong Kong as a whole and free from any secular interests. For instance, last autumn our Secretary made a preliminary survey of the Canadian market, which happens now to be on the T.D.C. programme for this year. We have therefore given the Council the

benefit of our advice, and as a result we have been asked to mount a selling mission to Canada later this year on their behalf. The Mission will be led by a Chamber representative but its composition will remain open to all.

The Chamber Certification section has had another busy year during which further strenuous efforts were made to improve our control and inspection service to ensure to the best of our ability that Chamber certificates issued were fully authenticated. Our policy remains to work as closely as possible with the Department of Commerce & Industry and the two non-Government issuing authorities on the Certification Co-ordination Committee with a view to strengthening the effectiveness of that Committee. The Chamber welcomed the emphasis by His Excellency the Governor in his address before Legislative Council earlier this month that the integrity of Hong Kong Certificates must be maintained. In this respect the Chamber intends to do everything in its power to see that all action possible is taken to ensure its certificates are not discredited. There have been some regrettable cases of malpractice heard in the courts recently and I hope that the sentences imposed will have a salutary effect on those who might be treating this important matter lightly. Members will have noticed a general tightening up all round. Many improvements are in hand as all concerned must work closely together to achieve and maintain high and acceptable certification standards. This is a matter of vital importance to the Trade of the Colony.

Your staff has had its customary busy year and I should like to thank them for their loyal support. I also wish to thank all members of the General Committee and the various sub-Committees of the Chamber for their unfailing support during my two years in office as Chairman. It has proved a rewarding if somewhat arduous task which certainly could not have been carried through without their help so freely given.

With these remarks I now propose the Report and Accounts for the year ended 31st December 1966 as presented be adopted. After this proposal has been duly seconded, if members have any questions I shall be happy to answer them to the best of my ability.

Seconding the adoption of the Report and Accounts, Mr. H. Schneider of Jebson & Co., said:

It is with great pleasure that I rise to support the motion which is now before members.

It is very gratifying indeed to note the increased activity of the Chamber in the field of Trade Promotion and Public Relations Overseas. A task which is now in the hands of the Trade Development Council with which the Chamber is closely co-operating. It is of the utmost importance for the industrial and business community of Hong Kong that all bodies concerned strive to stream-line their efforts together to achieve a high degree of perfection. This is one of the main tasks of the Chamber, and I wish to congratulate the Chairman and everyone concerned for devoting so much time and energy towards this goal. In particular, the constant contact with the Department of Commerce and Industry by this Chamber is a vital link in furthering the expansion of Hong Kong trade and Hong Kong exports at its present healthy growth factor.

This brings me to an aspect of our problem on which I would like to elaborate a little further. Industrial production, marketing and exports are rapidly gaining impact on the progress of trade. Whilst free enterprise is the pattern in many countries in the world and faith in free enterprise is one of the minor branches of theology, the Hong Kong Government is now playing an increasing role in its affairs. Co-operation between the Government and private enterprise is becoming apparent in more fields than is realized at present. Industrial research, supply of capital, supply of manpower, price control and marketing to name only a few. In some countries the private sector becomes, in effect, an extended arm of the public bureaucracy. It may be argued that private enterprise is distinguished from state enterprise by the profit motive. This is certainly correct but there is equally no doubt that the State is making ever more inroads into the function of industrial and business enterprise. Economic security and growth will be seen also as prime goals of the modern state. Even in state controlled economies this development is the same, and it would not be correct to view present developments there as a re-

turn to free enterprise. There is basically the same form of planning as under the growing authority of the business firm. The two ostensibly different industrial systems, the one described as socialism and the other as capitalism are converging in effect towards the same form of planning and the same goal. As it has been said, sometime in the future, "Men will look back in amusement at the pretence that once caused people to refer to General Electric or Ford or Vickers or Du Pont as private business". Eventually an industrial or commercial enterprise will be recognized to be part of the State, and thereafter the demands of technology, organization and planning will operate similarly and with similar results on all societies.

The observations I have made are partly from publications and partly from daily business contact and I agree with the idea. The tendency is towards greater concentration of groups of industrial and commercial enterprises on the one hand, and towards a greater share in their overall activities by the State. This I believe, with certain modifications, may also eventually apply to Hong Kong and influence the task and the activities of the Chamber.

We may consider ourselves fortunate in having such able leaders in our Chairman and the Committee, who are for ever working hard on continuing to build Hong Kong's economy. As it has been pointed out by the Chairman, there is no room for complacency and with this I agree wholeheartedly.

With this development gaining momentum, I am very pleased to see more local boys in responsible positions in industrial and commercial enterprises, and I consider this a healthy trend towards keeping our own ambitious and capable young men in Hong Kong for the benefit of Hong Kong's industry and trade, and I feel certain that this trend will persist and spread. It is the younger generation to whom we must continue to strive to give every opportunity for education, research and employment plus increased responsibility in their employment.

I now have much pleasure in seconding the Chairman's proposal that the Report and Accounts for the year ended 31st December, 1966 be adopted as presented.

SUB-COMMITTEES

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E.J.S. Tsu,

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Wong Tan & Co.

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R.M. Hall
H. Hennig
J.M. Gibson
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M. Curvan
M.P. Keyes
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E. Petersen
H. Schneider