



# The Bulletin

*Well, overseas orders fell off,  
and some factories went onto short time,  
and they floated the dollar, and then there  
was that unfortunate business with my  
brother at Lai Chi Kok - anyway,  
it's up to you now.*



**Kung Hei Fat Choy**



## 奇妙的巧合

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## 回顧過往。憧憬未來

每年當年終在望，尾聲不遠時，在香港及世界大部份地方，新聞界、廣播及電視台、銀行巨子、政府要員及一如總商會之機構等，均對行將結束一年作評論和檢討，又對下一年作推測及展望。

對未來之揣測頗引人入勝，尤其人們真正能基於所知，果勇地作預言。

其中，占星家們之預言較具戲劇性，所預言者多為非人類所能控制者，如火災、水災及暗殺行刺等事件。例如：本年有人預言整個澳洲將消失。

其他各評論家一致同意時局情勢未明，言論尚需謹慎，因此彼等對事物之評論甚為類似，所用之言詞亦較廣泛。

於香港，在十二月便對整年作評論，尚嫌較早。但由於各廣播界要於十二月底前把這方面之報導準備完善，故此雖全年之資料數字並不齊全，也基於十個月來所發生之事情作一回顧及評論。

由於農曆新年較西曆元旦為遲，而本總商會常把每月發生之事件預先刊登，故此我們所得資料較其他同類機構者為整全。

### 貿易表現欠佳

商界人士大多數已知道去年貿易表現狀況。去年首八個月內，生意蓬勃，貿易之增勝前。但於同一時期，外來訂單逐漸減少，失業人數激增，一些公司亦因經濟不景結束營業。

於九月，各方貿易數字證實了上述趨勢，而這也就是一九六七年以來，香港之出口於總值及數量上首次呈現下跌。

### 疲弱的一年

本總商會諮詢董事局於最近一次會議上亦會回顧去年之形勢。各董事對未來一致表示憂慮。例如：

旅遊業於一九七五年將無大增長。

於貿易方面，原料入口價格雖已下跌，但目下廠家仍用着於前用高價所購進之原料存貨，再者，由於海外市場疲弱，使其利潤大大減少。外地失業人數增加，收入減少，也就影響了港製貨品之銷路。

在紡織業上，訂單疏落，信用狀於較後時間才交付，這對成衣製造業、編織及針織業不無影響。

塑膠業仍受高價之打擊，這大部份是由於前所購之原料存貨買價甚高，利潤低降至零點。再者，韓國及台灣幣制貶值使香港之競爭性大減，各買家均坐望香港之售價遞減才進行交易。

在本港，通常可從烟草之銷路顯示一般經濟狀況，去年，香烟之銷路較前年同期為低。

目下，有人認為港元之實力有賴來自海外之資金湧進及兌換為港幣。再者，世界各地利率形勢加強港元於美元之比對下之實力。但此一形勢也許於農曆年後有所改轉。

### 獨具超人優點

但另一方面，香港去年之表現已遠勝許多國家，這包括東南亞各地。

當去年十二月之貿易數字編備完善後，我們定當可預料香港之出口於總值上約增加百分之二十，轉口為百分之十二，而入口亦約增百分之二十。

香港雖面臨各項困難，但仍能保有其競爭性及依期交付貨品予海外買家，在這兒談及工商業所面臨之困難乃指世界不斷增加之

競爭、勞工工資高漲、各國立訂之維護計劃及國際銀幣動盪不已等。但香港仍能依時製造品質上乘、價格合適之貨品。此間之勞資關係為各地所稱譽。

### 經濟復甦有期

本期「會訊」另一專文（請閱第三十二頁），談及可助世界大局有所改善之因素，因而使香港之出口再復甦蓬勃。

本總商會預料在本年，香港將為迅速恢復元氣之地區之一，我們對此預言深信不疑。

現刻香港面臨之困難為世界性之消費者之需求問題。我們面對目下之困難所得之教訓就是這世界消費者之需求為斷定香港之生存之主要因素。我們可面對貿易上之制限，勞資低廉地區所予以競爭及甚而浮動之幣率，此類困難並不使生活好過，却次於切法保有消費者之需求一要點。

韓國為了應付其困難而把銀幣貶值，假若消費者缺乏購買韓國產品之購買力，此舉，只有甚少得益，一如謠傳台灣行將實行之銀幣貶值，此舉帶來之危險就是以後再度貶值將互相抵消至令利益全無。再者，貶值之影響要歷時頗久才可見諸出口之表現。因此假若目下之因素為欠缺需求，銀幣貶值在短期內對此並非善策。

從很多方面我們很難想像世界經濟為什麼會於一夜間呆滯下來。大戰後，尤其六零年代之進展顯示已發展之國家均能克服了大戰前之疲乏。例如美國於近二十多年來所遭遇之不景有時雖使其國家困擾非常，但也只屬較平和之事。

石油及燃料價格飛漲為其經濟愈慢之明顯原因（本會訊下期對此將作詳細報導），但却非其惟一之因素。

同樣，我們不難指出英國及意大利等問題區所發生之毛病對歐洲共同市場其他各國不無影響。由於通貨膨脹，各國要員除對飛

揚之價格已予以調整，否則均審慎考慮發展計劃。為解決此等問題，各國財政司均預備擴大供給紙幣以應付銀幣問題，但此舉使金錢與物品間之關係更為惡化。

簡言之，目下之不景並非單純由任何某一原因所引致，而是基於多項繁雜之因素而發生。

### 阿拉伯之潛力

假若我們認定消費者之需求為一決定香港之增長之主要因素，那麼在過去一年來，我們之海外貿易市場情形是怎樣？是否每一地區之需求均告遞減？抑或在某些方面在未來數月內仍有作為。

大部份之信心源自阿拉伯各國，因彼等石油富藏用之不竭。一九七三年十月至一九七四年十月間，香港輸往阿拉伯各地之出口增加了百份之一百，而本年首十個月內其總值首次達一億四千五百萬元。在此區域之其他大主顧包括利比亞（一億四千萬元，增長率為百份之七十二）；沙地阿拉伯（九千五百萬元，增長了百份之八十一）及科威特（八千五百萬元，增長了百份之三十八）。

上述數字使人興奮，無疑地當繼續有所發展，最重要的也就是在此經濟疲乏時期，阿拉伯各國將繼續為大買家。

我們需要指出的就是香港輸往中東各地之出口（除却北非各國），其總值較我們與台灣之達口貿易為少，或即等於我們運往美國之出口之十為之一，雖然美國市場發展緩慢。

其他出口各國亦認定阿拉伯市場潛力甚佳。由於世界不少地方之發展也是寄望於出口，因此本港商人當面臨不少來自波斯灣一帶之競爭。許多寄望於阿拉伯之國家，例如英國，並非我們之貿易強敵，但在遠東區域內當有不少國家一如本港製造家一般，予以阿拉伯無限期望。

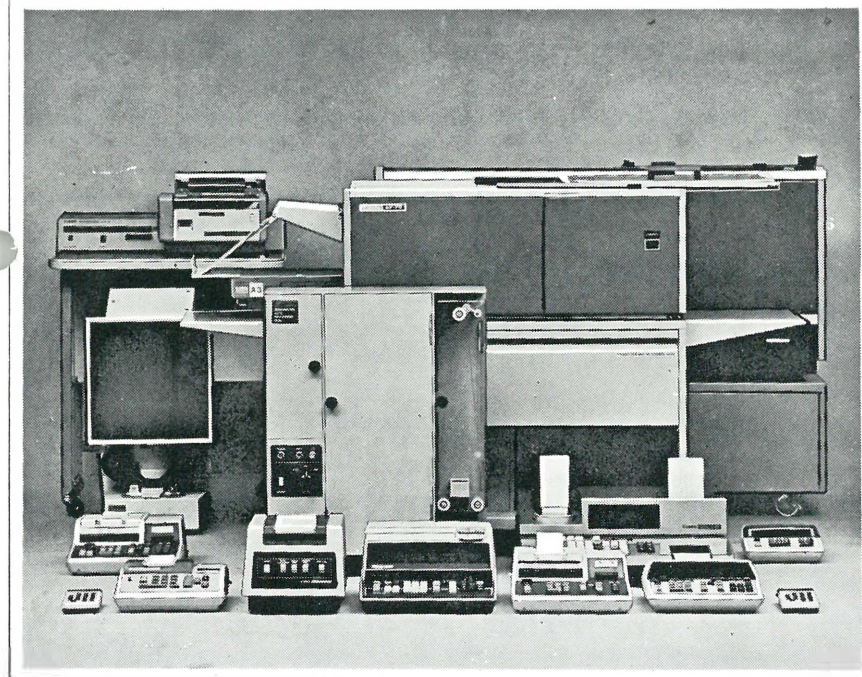
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## New Markets, Old Markets and Trade this year

**E**ACH year, as the month of December gets underway, a ritual commences both here in Hong Kong and in most other parts of the world. The game is played by, on the one hand, journalists, radio and television stations and the like, and on the other by organisations such as the big banks, heads of Government Departments and associations such as the Chamber. It is known as the Year End Review, and it has two components. Firstly, one tells people what has happened last year, presumably in case they didn't know or have already forgotten. Secondly, one tells people what is going to happen next year.

The second part of the game is probably the more interesting — or it would be if anyone actually had the knowledge, guts or eccentricity to make specific predictions. However, the only people actually to do this are astrologers, whose views tend to the dramatic and often concern fire, flood, assassination and other events over which lesser mortals have little control. For example, this year one particularly enterprising gentleman forecast the disappearance of the entire continent of Australia. The rest of the Reviewers display caution, confess that their crystal balls are somewhat cloudy, and then go on to say exactly the same things as each other, expressed in suitably general terms so that if facts prove them wrong, they can always claim they didn't quite mean what was said.

The Chamber's Council carried out its own year-end review, in which members of Council compared notes on their respective fields of operation. Most of the views put forward confirmed the general unease. For instance, it was forecast that for 1975 little growth in tourism could be expected. In trading, although imports of raw materials were becoming cheaper, manufacturers were still

working off stocks bought at high prices. Selling in weak market conditions meant that profit margins were very low. Unemployment overseas would have an effect on sales of Hong Kong products as personal expenditure was inevitably cut back.

In the textile field, orders were being placed on a 'hand-to-mouth' basis with letters of credit coming through at the last moment. This was producing a 'back-up' situation in the garment manufacturing, weaving and spinning industries.

The plastics industry was still suffering from high costs, mainly as a result of a high level of inventories purchased earlier, and profit margins were virtually nil. The devaluation of the Korea Won and the possibility of devaluation of the Taiwan Dollar had made Hong Kong less competitive and had caused buyers to hold off in anticipation of a fall in Hong Kong prices.

Locally, tobacco sales, which have always been regarded as a barometer of the state of an economy, were down compared with the same period last year.

The current strength of the HK dollar, it was suggested, was due to special transient circumstances such

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as funds from overseas coming in and their conversion to Hong Kong dollars, and 'window dressing' for balance sheet purposes. A short term technical situation relating to the pattern of world interest rates was largely responsible for the recent strength of the Hong Kong dollar against the US dollar. The situation could alter, particularly after Chinese New Year.

Despite all this, it must be appreciated that HK's performance last year was still considerably better than that of many other countries, including several in the South East Asian region. When the year-end figures become available, we can expect Hong Kong's domestic exports to have increased by about 20 per cent in value terms, re-exports by about 12 per cent, and imports also by about 20 per cent. It is worth reflecting that if, for instance, the UK could look back on an equivalent performance, much less gloom would currently be emanating from Westminster. Despite the problems of increasing competition, rising labour costs, protectionism, currency uncertainties, and the myriad difficulties that have beset local industry, HK has proved that it remains competitive and that it can deliver the goods. The problems that face HK industry are not of internal generation:—HK still can produce the right quality goods, at the right price and on time. Our industrial relations are excellent — among the best in the world. We have remained competitive without having resorted to devaluations.

Elsewhere in this *Bulletin* (see pp 15/23), we discuss some of the

factors that may have helped, and will help again once world conditions improve, to contribute to HK's export-led growth.

The current problem facing Hong Kong is that of consumer demand worldwide. If there is a lesson in our present difficulties it is that the basic factor determining the viability of HK is world consumer demand. Trade restrictions, competition from areas of lower labour costs, even floating currencies, we can face. They do not make life easy but they are relatively lesser problems than that of maintaining the *sine qua non* of consumer demand.

The attempts by Korea to overcome its problems by a panicky devaluation can achieve only a very marginal advantage if customers lack the buying power to purchase Korean products. And the danger in the Korean action, as is amply shown by rumours of an impending Taiwanese devaluation, is that the attempt to preserve a marginal advantage via devaluations can set off a race in which successive devaluations will negate each other, eventually to the disadvantage of all. And it is in any case a reasonably accepted fact that some time passes before the effects of a devaluation show up in export growth. If the immediate factor therefore is lack of demand, devaluation will do little in the short term to alleviate it.

It is, in many ways, hard to see just why the world economy should almost overnight have come to a virtual standstill. The progress of the post war years, particularly the growth of

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the 'sixties, suggested that developed economies had gone far towards overcoming the frightening fall-offs of the war years. For instance, most recessions in the USA over the last twenty or so years were relatively mild affairs, although somewhat disconcerting at the time.

Oil and soaring energy costs are one obvious contributory cause to slow-down, and *The Bulletin* will be looking at this in its next edition. But this of itself is probably not the sole cause behind the malaise. It is also easy to point to individual problem spots such as the UK and Italy, where outbreaks of the English or Italian 'disease' have placed a strain on all EEC countries. Inflation has made it politically necessary for elected representatives to look warily on growth programmes lest they compound already soaring prices. And as a remedy to these and other weaknesses, national Treasuries have been ready to end the supply of paper money in a 'print-now-pay-later' approach to currency, which has tended to thrust a divorce onto the already strained relations between money on the one hand and real goods on the other. In short, there is probably no one reason behind the present recession (if there were, it might be easier to see solutions), but rather a complex of reasons, in which action taken to correct the one may well exacerbate the other.

If we accept that consumer demand is the one constant factor that determines HK's growth, what has happened in our markets during the past

year or so?

Much faith is pinned upon prospects with the Arab nations, with their seemingly inexhaustible supply of oil revenues. HK's exports to the United Arab Emirates increased by about 100 per cent between October 1973 and October 1974, and for the first ten months of this year stood at almost \$145 million. Other big customers in this region include Libya (value of exports \$140 million, growth rate 72 per cent); Saudi Arabia (exports \$95 million, growth rate 81 per cent); and Kuwait (exports \$85 million, growth rate 38 per cent). Growth figures here are impressive and undoubted potential exists for increasing this trade yet further.

However, to put this picture into perspective, it is worth pointing out that our domestic exports to the Middle East, excluding North African states, are less in dollar values than our re-export trade with Taiwan alone; or, to draw a more meaningful parallel, are less than one tenth of our exports to the USA, despite the slow growth in the US market this year.

The potential of the Arab states as a market is of course widely recognised by other exporting countries. And since many of the world's nations are pinning at least part of their hopes on export-led growth, HK merchants could run into a lot of competition around the Persian Gulf. It is of course easy to play games with figures, and no exporter worth his balance sheet can afford to overlook the potential of the Middle East. **conf'd.**



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At the same time, this area is likely to lead to a Garden of Eden in a geographical sense only. Even if our trade to the Arab states were to double next year, which is not outside the bounds of possibility, it would still rank considerably less important than trade with North America or the EEC.

### **Saviour in the East?**

Much has also been made of the potential of East Europe, and once again there is nothing to be gained by detracting from the potential of this market. But this also is not going to prove an overnight saviour. The total value of our trade with the Comecon bloc for the first ten months of this year was \$44.5 million, of which more than half went to E. Germany, which in view of its history, traditions, people and its technology may almost be regarded as an 'honorary' western European state.

Business with Comecon is important and in the long term it may even prove a more useful market than the Arab states, but development of this market will be slow, and its expansion may be more the preserve of the larger rather than the smaller exporter.

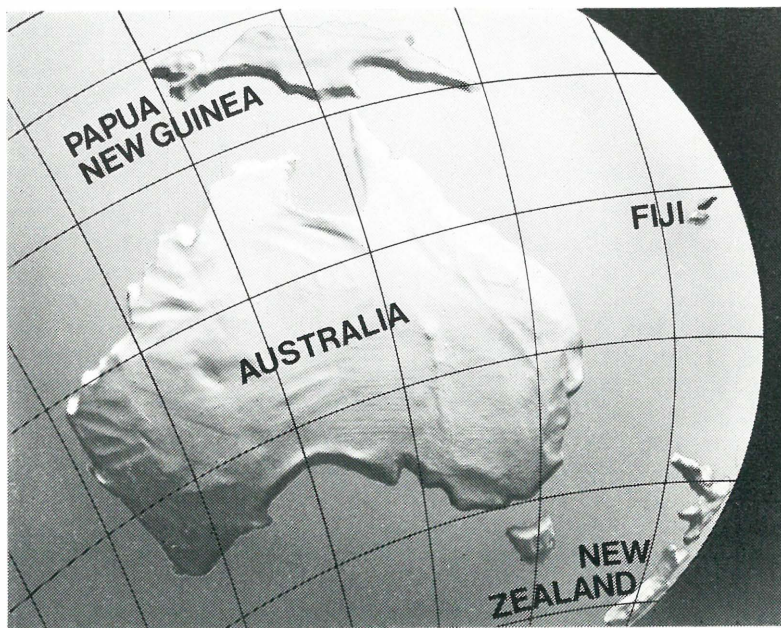
Where then will HK's main markets be during 1975? By and large, they will probably continue to be exactly where they have been for the past years. A comparison of trade figures for, say, April, when the export boom was running at its height and for October, the latest month for which detailed figures are available, tells its own story. The overall growth rate of domestic exports for April was run-

ning at 42 per cent over the equivalent period last year. By October this growth rate had dropped to 24 per cent. Of the top twenty markets, which are what count even when minor markets show astronomical growth rates, only one had shown a sustained increase through to October. This was Sweden where sales were 14 per cent up over the ten month period, as against 8 per cent up over the four month period.

In other markets, the pattern is consistent:—growth rate with the USA to April was 19 per cent, and down to 14 per cent by October. The UK registered a considerable drop over the same period, from 42 to 6 per cent. Western Germany remained reasonably stable with an early growth rate of 31 per cent dropping to 26 per cent. Australia dropped from 141 to 95, a result no doubt of the import controls imposed in the mid-year. And further down the scale, France, a market which 'came good' in 1974 and on which great hopes had been pinned for 1975, declined from 70 per cent in the early months to 37 per cent by October, as inflation and unemployment began to bite in France.

### **Lifeline**

Yet two thirds of our exports continued to go to the top five markets. So even if the decline in these markets continues into 1975, and even if newer markets grow strongly, the top five remain as Hong Kong's lifeline. It is important to stress this, since so much recent publicity has concentrated on the newer markets that exporters may



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be lulled into the belief that continued effort in our main markets is not worth the effort. The contrary is probably true — that more than ever before, now is the time to sell aggressively to the USA and Europe. Business with these areas may fall off, but it will not dry up, and the pickings to be had are possibly more lucrative than those available in Kuwait, Abu Dhabi or Romania.

One or two other smaller markets hold potential. South Africa has been a good market for HK this year, and sales held up reasonably well throughout the year. On the African continent, Nigeria and South Africa are (apart from Libya) the only HK markets of any significance, and both could continue strong in 1975. Nigeria is of course an oil state, and there are signs that it is still holding strong as a customer for HK goods. South Africa's status will no doubt continue to be determined by its balance of payments position, which in turn will be largely governed by the price of gold. As the free gold market in the USA has got off to a somewhat slow start, this could in turn have repercussions for the Union.

On the re-export scene, growth has been slower than in domestic exports. Some twelve months ago re-exports accounted for about 25 per cent of total exports. This year the total has fallen somewhat to 23 per cent of overall exports, and the growth rate for the period to October was 15 per cent, against 24 for domestic exports. In the first four months of 1974, the

re-export growth rate was however running at 52 per cent, ahead of the growth rate for HK made exports. Although HK at this stage of the game cannot afford to lose any trade, the silver lining in this particular cloud is that, as the fall-off in re-exports has been greater than in domestic exports, here again is evidence that HK goods can still meet the demands of world markets, provided demand exists in those markets.

To clarify the picture, it should be added that much of the fall-off in re-exports has come in two categories — non-metallic mineral manufactures (e.g. diamonds) and textile yarns, fabrics and made-ups.

On balance, one cannot therefore pretend that there is much in the way of untapped demand facing HK in the early part of 1975.

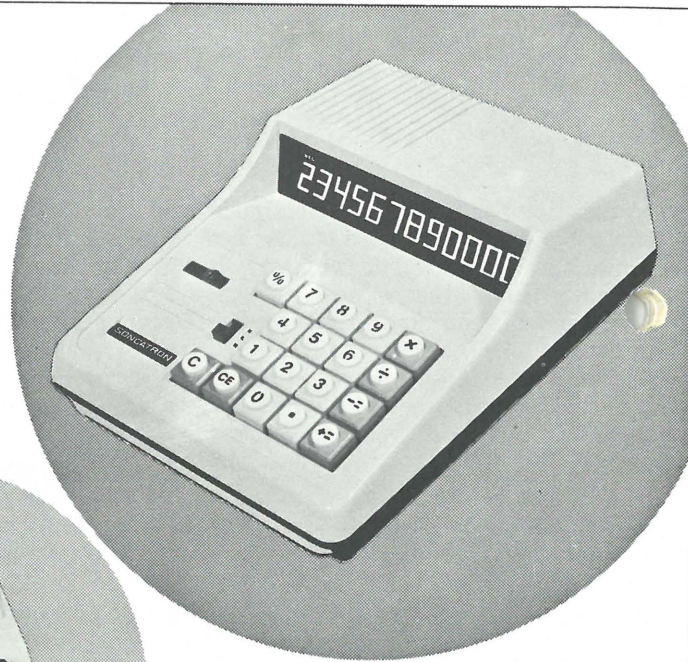
Two of our big break-throughs in 1974 — Australia and France — cannot be expected to maintain their impetus of earlier this year, although trade with neither will dry up entirely.

We are left then, as before, with the big three, North America (USA and Canada, the latter having held up better than some markets in 1974), the UK and Western Germany. And the key to these must be the USA, not only because of its importance as a market for HK products, but also because renewed growth in the USA, more so than any other factor, will probably be the most important stimulus to growth throughout the world.



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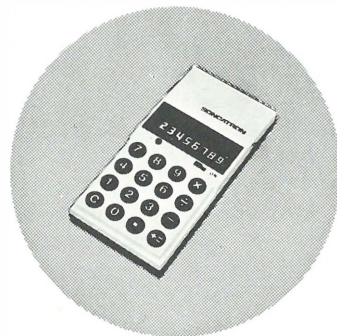
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## What makes HK tick?

A SERIES of fortuitous historical circumstances, an excellent harbour and a regionally-centralised geographical situation, a Government which has avoided restricting the development of industry, a fairly ready availability of export markets — these were some of the historical, physical or political factors in Hong Kong's remarkable growth in the short space of 2½ decades from an entrepot for trade between China and the outside world into a leading industrial power in its own right, with a ratio of manufacturing output to Gross Domestic Product which is second only to that of Western Germany.

It is well known how, after 1949, plant, capital and industrial knowhow were attracted to Hong Kong, first of all from Shanghai and other parts of China and later from the United States, the UK and elsewhere, and how successive waves of immigrants provided a ready labour force for the expansion of HK's light industry.

It is a universal assumption among economists that social and psychological factors play an important role in the economy — whether it be a negative or a positive role. It is also assumed that even when these factors can be identified and quantified — which itself is no easy task — they can only be altered in the long run, which means they are generally ignored by those taking a short for medium-term view of growth prospects. In Hong Kong, at least until a few years ago, the sheer speed of change and the constant element of political uncertainty surrounding the future made it difficult — even pointless — to plan for the long-term. Thus the social and psychological factors behind HK's growth have yet to be properly analysed, let alone taken into consideration by the economic planners. ('Economic planners' in the case of HK probably means the

Economic Secretariat and possibly parts of Commerce & Industry Department. The fact that there are very few civil servants directly involved in economic planning is perhaps in itself significant.)

One of the problems of identifying these factors is that the general consensus of ideas is constantly altering as a result of economic change. Social and economic factors obviously interact. To give a simple example: economic growth should produce an improved standard of living, and this usually leads to heightened expectations and the desire for further improvements. These expectations may be experienced in different ways — for example, the desire to develop further the 'consumer society' or alternatively a concern with the 'quality of life'. In other words, change and progress create the desire for further change and progress, and not always in the same direction.

A few months ago a seminar — one of the countless many — was held in Britain to discuss that country's economic future. It is no doubt assumed by many that the economies of Britain and HK have very little in common. After all,

**Cont. p. 19.**

# Picture Briefing

A. Mr. Claude Burgess, Minister for Hong Kong Commercial Affairs in the British Embassy in Brussels, visited the Chamber during his recent visit to Hong Kong. He was accompanied by Mr. P. A. S. Wise, newly appointed to the Geneva Office and Mr. S. A. Webb-Johnson, Assistant Commissioner (Commercial) of the HK Government Office in London. Seen from left are Mr. Webb-Johnson, Mr. Burgess, Mr. Wise, the Director and the Secretary.



B. Following the recent Top Level Mission to France, Mr. C. Evain, Director of the International Relations Division of the Conseil National du Patronat Francais and Mr. R. De Blay, his assistant, held discussions with members of the Europe Area Committee. Seen from left are Mr. De Blay, Clement Tsang, Secretary of the Europe Area, S. L. Chung, Manager of the International Trade Department, Mr. Evain and A. C. W. Blaauw, Chairman of the Europe Area Committee.



C. A Traders Tourist Group, headed by the Chairman, Peter Foxon, returned after a two-week visit to China on December 3. The returning group was met by members of the local press.

D & E. December 10 was the date and the Urban Council chamber was the venue for the presentation of a Chain of Office to the Urban Council Chairman, the Hon. A. de O. Sales. D. shows the Chairman with Mr. Sales after the Chain had been presented to him by Sir Lawrence Kadoorie (2nd from right). E. shows from left the Vice Chairman, L. W. Gordon; the Chairman; Mr. Sales and Sir Lawrence meeting the press.



F. Mr. H. W. L. Paul, newly elected Member of the General Committee, is the subject of this month's Pen Profile (see pages 24-27).

# CUTTY SARK

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Britain is the oldest industrial nation in the world, while HK is still a developing economy. However, a recent article in the Financial Times by the principal of Ashridge Management College, which jointly sponsored the seminar, and which is largely recognised as a leader in the field, formulated some criteria for examining various social factors which have inhibited the UK's postwar economic growth which can also throw some interesting light on HK's economic development over the past two or three decades. Some of the factors pinpointed by the author are equally or even more relevant to HK. And others, by their very absence, help to explain the success of HK's economy.

### No nationalism

For example, the author asserts that, in comparison with other leading industrial powers such as Japan, Germany or France, Britain has suffered since the war from a lack of national sense of purpose'. In HK the 'national' motivation has been even less apparent. However, in its place there has been a force possibly more powerful at work — that of profit motivation and achievement motivation, the desire, in short, to get rich and improve one's social status and perhaps more important, the conviction that it is possible to get rich in HK (a conviction which seems to be disappearing in the UK). This by no means implies that HK is a place where everyone can make a million, but the belief that it is possible has provided a motivation for

hard work, and has enabled HK to straddle some of the natural physical barriers which have stood in the way of economic growth.

Secondly, the author believes that Britain has 'too rigid a class structure, leading to poor motivation of the working classes, who perceive barriers to their advancement.' By 'barriers' the writer means the tendency, still present in some British firms, to appoint top managers as much on the basis of social and educational background as on actual managerial competence. HK of course has a very clearly defined social *division* with a fairly large gap between the 'haves' and 'have-nots'. But the class structure as such is not a rigid one, and a good deal of social mobility is possible in HK. The rich man's child is always at an advantage, but it is widely felt that hard work, both at school and after, is an assured pathway to improved social and economic status in HK.

Thirdly, 'a tendency to live in the past, preserving ways of life which operate against change and innovation', and 'the persistence of strong craft traditions in the workforce'. HK's industrialisation started with a clean sheet. The great majority of the population either came here after 1949, or else were born here since then. Moreover, those who came here had already been uprooted and were fully prepared for major changes in their lives. Traditional values have stood little chance in HK before — literally — the remorseless bulldozer. Indeed, the persistence of

the traditional family structure as an identifiable element in HK society has been virtually a sheet-anchor in a sea of rapid change, and it is argued by sociologists that even this has now been partly eroded.

Nonetheless, casual observation suggests that conservatism is not entirely to be ignored as a factor influencing attitudes in HK business society, although such conservatism is possibly more apparent among (a) the older generation, and therefore may be expected to exert a dwindling influence, (b) smaller rather than larger businesses, especially the family-owned business and (c) the entrepreneurial and management classes rather than the labour force, and, possibly, among white collar rather than blue collar workers. In this, however, HK's small businessmen, who probably form the bastion of traditionalism, are little different from their counterparts the world over. As a generalisation, and subject to further evidence becoming available, it is probably fair to regard HK society as reasonably flexible and radical (in the non-political sense!).

Fourthly, 'an obsession with economic egalitarianism'. As has been pointed out, one of the bright spots in an otherwise rather gloomy 1974 was the apparent understanding shown by workers in HK that when the going is tough we must all expect to bear the consequences, and while there may have been isolated instances of employers trying to alleviate their own problems by passing off the burden to their employees, on the

whole both sides have shown a good deal of commonsense which, in the long run, should benefit the community as a whole.

### **Fewer stoppages**

Statistics show that, despite the fact that real wages in HK last year fell to below the level of 1971, there was a large decrease in the number of working days lost through work stoppages: only 2,627 days in the first nine months of 1974 compared with 56,691 in the whole of 1973. It would of course be wrong to attribute this remarkable state of affairs entirely to the willingness of the worker to take a voluntary wage cut at a time when the economy is on the downturn. In the years 1968 to 1973 when the economy was going through a boom period, workers' bargaining power was enhanced, and as a consequence the number of work stoppages increased rather than decreased. But last year there was a steady retraction in the number of jobs available, and for many workers the principal concern became one of remaining in the same job rather than finding a new one. Workers' bargaining power was therefore weak. But even having said this, the trend in HK has been markedly different from that displayed in some other industrialised countries, where economic problems have been aggravated through the uncompromising attitude of a large segment of the workforce. In the UK, for example, more than twice as many working days were lost between January and November 1974 as in the corresponding period of 1973 and there have

been similar increases in other western countries. HK workers have shown that they are not 'obsessed with economic egalitarianism'. They expect their slice of the cake when the economy is growing, but appear not to expect income to grow at a time of production cutbacks.

### **Economic, physical factors**

The *FT* article then lists some of the economic and physical factors which, the writer believes, have inhibited Britain's economic growth since WWII: a lack of natural resources (relative to the US), little war-time destruction of obsolete plant (relative to Japan and Germany), a small home market (relative to the US and the EEC countries), the insignificance as a factor of growth in GNP of increased productivity in agriculture (relative to Japan, France or Germany), overseas trade biased towards traditional Commonwealth markets with low per-capita incomes and low growth rates, and the vulnerability of the pound sterling to international currency speculation in the 1950s and early 1960s.

'These conditions', says the writer, 'have positively reinforced certain social attitudes which operate against faster growth — including a not-unrealistic scepticism about the possibility of achieving it, which has possibly affected the level of investment; a tendency to cling for security to established technologies and processes; and over-concern with employment and the distribution of wealth.'

Turning to Hong Kong we find that the physical problems which the HK economy has faced, and overcome, are even greater. Yet again historical circumstances have been favourable. And far from reinforcing these problems we find that the social attitudes referred to above may well have been a positive factor in overcoming them. Many 'bad things have been turned into good things' through the vigorous hard work of the HK people.

### **No natural resources**

First of all, Hong Kong suffers from a near total lack of natural resources and in this respect is far worse off than either the UK or — more to the point — our competitors. But HK has to some extent been fortunate to have developed labour-intensive industries at a time when raw materials prices were comparatively low in relation to the price of the manufactured end-product. Now it would seem that the era of cheap raw materials has passed, and the lack of resources might prove to be a greater headache in the future. It is obviously advantageous to have a home supply of raw materials — although the manpower required to exploit these resources inevitably reduces the workforce available for manufacturing industry — yet HK manufacturers have managed to overcome the problem. Japan too has suffered from a lack of resources, but Japan has achieved the highest consistent economic growth rate in the postwar world.

In comparison with the UK, HK's lack of a significant home market has

also been an even greater problem. But again, this has been overcome in HK. Indeed it could even be argued that the lack of a domestic market has forced local manufacturers and exporters to work that much harder to market their products overseas. A large and captive domestic market can result in complacency, and inconsistency as is shown by the 'in-out' policy of many UK manufacturers towards exporting. When the home market is strong, exports are neglected. When it is weak, surplus output is exported. HK has proved that industry thrives on competition, and in consistency as is shown by the 'in-out' policy of many UK manufacturers towards exporting. When the home market is strong, exports are neglected. When it is weak, surplus output is exported. HK has proved that industry thrives on competition, and in consistency as is shown by the 'in-out' policy of many UK manufacturers towards exporting.

### Overseas markets

So far as our overseas markets are concerned HK has again, in some respects, been rather fortunate. While UK trade has, to some extent, been directed to commonwealth markets with low purchasing power, HK has concentrated on the affluent markets of North America and Western Europe. (See this issue pp 5-13) At the same time it has gained advantage from the Commonwealth Preference Scheme, which to a large extent compensated for the lack of a home market. HK exporters have proved themselves highly flexible, and quick to explore and develop new market opportunities. Where tariff quotas and other protectionist import barriers have been erected it has sometimes acted as a spur rather than a hindrance to progress.

For purposes of the present discussion, HK may also be regarded as one of those countries that benefitted from the destruction of plant during the war — except that the plant that was destroyed happened to be destroyed in Shanghai and in a rather different war. Nonetheless, the implication — that HK re-equipped (or more accurately equipped for the first time) during the post-war period — holds true.

However, the other side of this story is that much of HK industry is labour rather than capital intensive. Although some of the bigger and better organised HK businesses can boast a level of plant and equipment equal to any in the world, it has also been a noticeable phenomenon for smaller manufacturers to make do with the second rate, the old, and in some instances the downright inadequate. One of the few objective guides are the GDP estimates prepared by Government which suggest that total expenditure on gross domestic capital formation for the period 1966 to 72 varied in constant prices from between 19 and 25 per cent of GDP, with considerable fluctuations from year to year.

Much of this expenditure is however accounted for in the building and construction sector and a further large amount is attributable to purchase of transport equipment. Purchases of machinery, plant and other equipment by private industry in 1972 (the latest year for which figures are available) were estimated at \$2,343 million (current prices) or about 10

per cent of total expenditure on GDP.

Growth in productivity in agriculture is a facet of HK's development often overlooked. HK has one of the highest ratios of population to land in the world, and the primary sector (i.e. agriculture, fishing and mining) contributes a mere 3.4 per cent of GDP. Farmers and their dependents make up only 2½ per cent of the population and fisherfolk account for another 1½ per cent (according to the 1971 Census). Yet NT farmers produce about 42 per cent of vegetables consumed locally, 45 per cent of the live poultry, and 12 per cent of the live pigs.

Moreover these production levels have been maintained in the face of the increasing level of consumption in HK as the population grows and becomes more affluent — no mean achievement in a place where the free-enterprise philosophy obviates direct subsidisation or price support to primary producers.

Although primary production contributes little to the HK economy in both income and employment, it does play an important role economically and sociologically, supplying a large volume of perishable foodstuffs, helping to keep down the level of food imports and having a stabilising effect on prices.

Finally, there is little need to comment on the relative stability of the HK dollar in relation to sterling — given always that the role played by these two currencies is vastly different.

If, then, one takes the Ashridge list

as factors that determine or at least contribute to a 'growth or non-growth' situation, the difference between their application to UK and HK is fascinating. Of the ten factors listed, HK's disadvantages in at least two — lack of resources and a home market — are greater than those of the UK. In others — social mobility, a lack of obsession with equality, the right export markets and a stable currency — HK clearly has advantages. The other factors — sense of national purpose, the influence of tradition and post-war re-equipment — come into a somewhat half-and-half category demanding further investigation.

### Curse and blessing

One could of course go on to add a list of advantages apparent in the UK and lacking in HK. Notable among these would be a higher standard of education, particularly technological education; a far broader industrial base, particularly as far as capital intensive industry is concerned; and a more developed infrastructure. And then there are of course HK's social problems, which in turn largely stem from the refugee problem and the rapid increase in population. It is, perhaps, this factor — the rapid increase in population and the social composition of this population — that may be regarded as both HK's curse and blessing. While the need to feed, house, cloth and educate this population has given rise to strains and stresses that are far from being overcome, the incentive to achieve these ends may very likely be the driving force behind the HK dynamo.

# Pen Profile

## H. W. L. Paul

**H**ARRY William Lawrence Paul, chairman and general manager of British American Tobacco (HK) Limited, was recently co-opted to the Chamber's General Committee. It was unavoidable that we should start by asking him, as a tobacco man, what he thought of the smoking and health issue.

'For about 20 years, some scientists and medical men have argued that smoking is a health hazard. At the same time other scientists and medical men have rejected this view, using as their main argument the fact that many people who have never smoked get those diseases which have been attributed to smoking, such as lung cancer.

'Now where does this leave the tobacco industry? If one's product is suspect, no responsible industry or its management can ignore the serious problem this poses. The tobacco industry worldwide is, like other industries, a responsible one and has reacted to the problem objectively. There are now to my knowledge, major research laboratories in five continents examining the smoke constituents and the effects of smoking. The annual expenditure on this research, by the tobacco industry alone, is running at approximately HK\$140 million.

'We must assume that this research will in time tell us firstly, whether cigarette smoke is really harmful and secondly, if it is, what can be done to remove the harmful elements. I'm confident that time will provide us with a satisfactory answer.'

Harry Paul, one finds, weighs his answers carefully and does not always give the most predictable reply.

He was born in Kampala, Uganda in 1930 and received his education in Kenya. In 1947 he returned to the UK where he enlisted in the British Army and received his training at the Royal Military Academy, Sandhurst. After his training, he was commissioned into the Royal Lincolnshire Regiment. He spent a total of eight years in the army, serving in Egypt, Jordan, and W. Germany.

In 1955 he left to join BAT as a trainee and after training in the UK and in Holland and Switzerland, he was sent to work as a sales representative in Nigeria.

'I joined Nigerian Tobacco Company in 1956. During my service with them, I was promoted to District Sales Manager and then Regional Sales Manager and served in all parts of that enormous country.'

In 1965 he was transferred as Marketing Advisor to the BAT subsidiary in Jordan, known as the National Tobacco Company. His posting there was however interrupted by the Six Day War and at the end of it he and his family were evacuated from Amman. He was then re-assigned as Marketing Director to the Malayan Tobacco Company which was situated in Kuala Lumpur. He was a director of two companies there, the Malayan Tobacco Company and the Singapore Tobacco Company.

Harry Paul remained in Malaysia until 1970 when he was transferred

back to Africa, this time as Chairman and General Manager of BAT's subsidiary in Sierra Leone. That was the Aureol Tobacco Company.

I remained in Sierra Leone until May 1972 when I attended a Senior Executives Programme at Manchester University Business School prior to taking up my current appointment here in Hong Kong.'

Mr. and Mrs. Paul have two children. A son is at university in the UK and a daughter is at school there.

### Dynamic environment

Of his first impression of HK he says, 'I arrived in Hong Kong at the time of a tremendous boom, in the stock market and in other elements of the business scenario and obviously my early impressions were somewhat coloured by this particular expansion.'

'Personally I believe HK is a dynamic business environment. People are not afraid of hard work. As others have so often said, and with whom I agree, when the current economic recession, which has affected HK as in other places, starts to turn, we shall be quickly out of our present difficulties and exporting again in the usual hard fashion.'

As for his own particular industry, Mr. Paul informed *Pen Profile* that the tobacco industry has also felt the effects of recession.

'Cigarette sales can be described as a barometer of market conditions and in recent months there has been a levelling off and in fact a slight decline

in the total tobacco business in HK. Providing prices do not increase too sharply due to increases in duty, further taxation by government or increases in raw materials, it is possible that the industry will be able to expand again some time during 1975.'

As Mr. Paul has been closely associated with the marketing aspects of his own business, it seemed appropriate that he should give his views on marketing in the local context.

He explained, 'HK, in order to trade to her best advantage has to do so with a number of world markets and not just her neighbours. If it is going to do so properly, it must be able to take into account several different cultures and product requirements. This probably brings in the need — in fact it most definitely brings in the need — for an understanding of the different cultures and peoples to whom we are selling. I am sure that the HK businessman is alive to this necessity and is taking note of it as a requirement.'

When asked how he saw Hong Kong's social problems, he believed that Hong Kong did have a problem in the housing and education of a rapidly expanding population, but after having lived in so many countries where social standards were nothing like as good as Hong Kong, he felt that tremendous progress had been made and that it was not as great a problem as so many people seemed to think.

'Providing employment is of course a social requirement — to be able to satisfy the necessity for man to work,



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but if there are markets and Hong Kong can supply those markets, then there will be the need for manufacturers to employ people, and providing wages and other costs are kept at a reasonable level, then we shall be able to compete in our overseas markets.'

Harry Paul did feel, however, that unemployment was greater than statistics show. 'The figures do not admit the real numbers that are probably out of work. I fully appreciate that there are problems in collecting statistics but nevertheless underemployment and unemployment most probably, from our visual contacts in the market, is greater than the present statistics indicate.'

'The only objective way of getting rid of unemployment is for new industries satisfying new markets overseas to start up and employ people. This can only be done if the terms are right for investors to set up industries. If you want my opinion as to whether the terms are right, I would say that presently they are, but if increased taxation and rapid inflation damage the current confidence in Hong Kong, then perhaps we will not get the necessary new industries.'

## Management policy

Mr. Paul is very much concerned with the local aspects of management and voiced a number of opinions on the subject in a recent television programme. One particular subject Mr. Paul feels strongly about is the development of local nationals to senior management posts. BAT overall shares his opinion.

'The group policy is to develop competent local nationals to take over management posts—to the highest level—in all countries where we operate. Two of the many methods we use to develop managers, both expatriate and local, are firstly, to send them to our Group Residential Training Centre in the UK. More than 3,000 of the Group's 4,500 managers have, in the past 20 years, attended courses there.'

'At these courses, it is not uncommon to find that amongst 30 delegates, there are 20 nationalities represented. This rubbing of shoulders with people in similar jobs in other countries has been found helpful in broadening the outlook and experience of delegates.'

'The second method of developing managers is to give them on-the-job experience in another territory. BAT Hong Kong currently has two senior Hongkong Chinese managers attached to Group Headquarters in London. These men are there in an operational role, not just as understudies. This is giving them valuable experience and is designed to develop them for top jobs when they return to Hong Kong.'

To conclude, Harry Paul spoke about his role as a member of the General Committee and Council.

'Initially I still have a lot to learn about Hong Kong and therefore will be listening very carefully. Gradually, as I see, or have indicated to me, an opportunity for contributing in a certain direction, I shall of course grasp the opportunity and hopefully manage to be objective in my contribution.'

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## Forum

### Views on 1975

'From bad to worse' — that is how one might sum up the consensus of views on business prospects in the coming year as expressed in the local media. Few people are prepared to make any specific predictions on when, or if, any improvements is likely to occur during 1975, although the picture is not entirely without bright spots. There have been various exhortations by business leaders to curb costs and redouble efforts to seek new orders, particularly from fast-growing areas like the Middle East, but in the long-run everyone acknowledges that much depends on a speedy recovery in our major markets.

This year is going to be a tough one for HK products in the US market, according to a leading executive in one of the largest business groups in the US.

Quoted in *Wah Kiu Yat Pao* (4.1.75) Mr. K. W. Mok, Far Eastern Executive General-Manager of Kresge-Kmart Ltd., said that the belief among local businessmen that the main source of competition for HK products in the US market comes from neighbouring countries like Taiwan, South Korea, Singapore, etc., is very wrong. In fact our main competitors in the US are likely to be domestic manufacturers.

The increased price of our exports to the US has driven many buyers to place orders with domestic manufacturers, he was quoted as saying. Mr.

Mok urged local manufacturers to modernise production methods in order to reduce costs.

Another of our leading markets where the going is likely to be tough this year is Australia. According to local exporters, HK's sales to Australia were down by 15 per cent in December over the previous month, reported *Sing Tao Jih Pao* (29.12.24). The decline is likely to continue during the first quarter of 1975, due to the country's weakened purchasing power, the restrictive measures adopted by the Australian Government and sluggish sales resulting from a fall in wool prices. HK exporters feel that the Australian Government has returned to protectionism, and that a further devaluation of the Australian dollar can be expected in 1975.

The key factor in keeping up the level of exports is selling at low prices and maintaining a reasonable quality standard, states a feature article in the *Hong Kong Economic Journal* (3.1.75). It is wrong to concentrate on raising the quality of our products if this means increased prices, says the paper. Consumption of high-quality goods is currently on the decline in HK as well as elsewhere, and our traditional markets buy mainly medium and low-grade products.

Moreover, the article continues, many people are now advocating market diversification. But the new markets are located largely in the developing countries where national income is low. It is a contradiction to



advocate diversification on the one hand, and try to raise quality on the other, the paper says.

The statement that consumption of high-quality goods is currently on the decline 'in HK as elsewhere' is interesting and one would like to see this corroborated. In the case of HK it is true enough but does it apply to, say The Middle East? And in the 'medium and low-grade' range of products can we compete with Taiwan, South Korea, etc.?

Professor Ronald Hsia of HK University is hopeful of an improvement in the second half of the year, he told *Ta Kung Pao*. Thirty-five per cent of our exports go to the USA, and he saw no prospects of an upturn in the US during the first half of the year. But a recovery may come earlier in West Germany and Japan, which together absorb some 10 per cent of our exports. Professor Hsia also believed that the diversification of our export markets may help.

The *South China Morning Post* in its year-end editorial, stated that it is difficult to see a silver lining, and it must be acknowledged that 1975 will be a difficult year. But it is worth adding, said the paper, that the current situation looks worse because of the contrast with the free-spending, high-living, easy-going days of 1972-3. The editorial made no specific prediction, contenting itself with the words 'the decline is not going to last for ever and if 1975 does not see any improvement, most pundits regard 1976 as a better prospect.'

## New Estimates of Unemployment and Under-employment

According to a recent survey carried out by the Federation of Trade Unions in the textiles, garments, metal work, electronics, plastics, construction, tailoring, ship-building, shoe-making, printing and catering industries, more than 210,000 workers (i.e. about 13 per cent of the working population) are now either unemployed or under-employed in HK. This represents an increase of 90,000 over the figure of April 1974.

The incomes of the semi-employed in electronics have been slashed by 31.5 per cent, garments 35 per cent, metal work 36.8 per cent, woollen textiles 44.2 per cent, tailoring 50 per cent, construction industry 55 per cent and plastics, 56.6 per cent. moreover, a new feature of the situation is that one now finds many young and able-bodied workers among the ranks of the unemployed and under-employed, whereas in the past in HK it was said that even the lame can find work.

In order to ease the problems of workers the Chairman of the Federation of Trade Unions Mr. Yang Kuang put forward the following demands to the Government: They should stop all steps to raise taxes, rents and charges, substantially cut or even exempt rents for tenants in difficulty in resettlement and low-cost housing estates, restrain all public utility companies from raising their fees and charges, and take concrete measures to solve the problems of the unemployed and under-employed (reported in *Ta Kung Pao*, English edition, 9.1.75).

但於新的一年，就算香港與阿拉伯之貿易增加兩倍，也仍次於我們與北美或歐洲共同市場等地區之貿易。

## 東歐貿易蓬勃

不少人亦談論着東歐之貿易潛力，但並非一夜間便有作為。一九七四年首十個月，香港與東歐貿易總達四千四百五十萬元，其中，半數屬東德，而東德本身，在其歷史背景，傳統風俗，及技倆上皆可算是一「榮譽」西歐國家。

與東歐各國之貿易在長遠而言，也許較阿拉伯為要，但其發展料將緩慢，規模較大之出口商可獲益較多。

## 貿易形勢持續

在一九七五年，那些是香港之主要出口市場？

大致情形將與過往無異，此點可見諸一九七四年四月及十月之貿易數字，於四月間本港貿易正蓬勃非常，出口較前一年同期增加百分之四十二。至十月則只為百分之二十四。本港為首二十個出口市場中，只有瑞典於一月至十月間顯示百分之十四之增長率，而於一月至四月則只為百分之八。

在其他貿易市場，情形大致一樣。

香港與美國貿易之增長於四月為百分之九，十月則降至百分之十四。與英國之貿易增長由百分之四十二降至百分之六；香港與西德之貿易為穩健，年初時之增長率為百分之三十一，隨後下跌至百分之二十六；澳洲方面，於年終由於其政府實施入口管制，因此港澳貿易由年初之百分之百四十降至百分之九十五。至於法國，國內失業人數增加及通貨繼續膨脹，港法貿易之增長率由年初百分之七十降至百分之三十七。

我們的總出口約三份之二將輸入首五個主要市場。因此於一九七五年內，就算該等

市場市況繼續下跌，但仍將繼續為香港之命脈。我們需要強調的就是：近日來，大家似乎着重宣傳新的貿易市場，出口商也許因此認為無需要致力保有我們現刻主要之市場。但實際上，我們需努力向美國及歐洲推銷，該等地區之生意可能削減，但却永不會乾涸，前途比科威特、杜比或羅馬利亞更為燦爛。對香港來說，有三兩小型市場頗具貿易潛力。

於一九七四年，南非表現不俗，港貨銷路頗佳。除却利比亞，奈及利亞及南非之貿易市場是不可忽視的，於一九七五年，兩地均甚有作為。

奈及利亞為一石油出產國，港貨於該地之銷路頗佳。南非方面，其地位視支付平衡而定，但這亦與貨品之價格相關。

## 轉口貿易趨淡？

轉口貿易並不如出口那末暢旺。

於十二個月前，轉口貿易佔總出口百分之二十五，於一九七四年，此數字則降至百分之二十三。於該年一月至十月間，轉口貿易只增長了百分之十五，而出口則增長了百分之二十四。

於一九七四年首四月內，轉口貿易之增長為百分之五十二，遠超出口貿易，但前者下跌速率較後者為甚。於此，可見只要海外市場有所需要，香港定能供應所需。

轉口貿易之衰退可分兩大類——非金屬製和（即鑽石）及紡織棉紗，布匹及製成品。總括來說，於一九七五年，香港與阿拉伯，奈及利與南非間之貿易將有所增長，與東歐間之貿易亦然。與澳洲法國之貿易難望與一九七四年初之水平相同。

因此，如前一樣，香港之主要貿易市場為北美洲（即美國及加拿大），英國及西德。尤其美國，因其復甦在望，不僅為港製貨品主要市場，亦為世界全球之增長與奮劑。

## 齊心合力·共渡窘境

數月前，英國曾舉行一研討會，詳細討論該地之未來經濟狀況。不少人士認為香港與英國間之經濟差異甚大——英國為世界上歷史最悠久之工業國，而香港則仍為一在發展中之經濟。但最近，英國「金融時報」一專文詳細分析目下，英國戰後經濟發展之障礙原因，該專文之論點亦可用諸於香港。

第一，該專文謂：「自從大戰開始，英國缺乏一民族性之意識」。於香港，取而代之者為更強勁之慾望推動力——人們渴望富裕。

第二，於英國，階級分明，勞動階層人仕因此對工作毫不起勁。於香港，誠然，此階級層次仍然存在，但只要努力求學及工作，人們可改進其社會及經濟地位，擠身於高尚階層。

第三，在英國，人們頗念舊及保有往昔之工藝傳統。但在香港，大多數居民於一九四九年或以前抵步此間，或在此誕生，人們皆具彈性。至於從異鄉抵步此間之一羣均能接受及適應生活及環境上之轉變。因此，香港之工業化始於潔淨的一頁。

但在香港工商界，其觀感亦間受一些傳統意識所影響。此點可見諸於年長一輩之人仕及由家族經營之企業等。

第四，於一九七四年之窘境中，使人快慰的就是勞工各界頗明事理，彼等明瞭在逆境中，大家均需分擔責任。雖然一些僱主把重担加其僱員身上，但大致上，勞資雙方表現理智，此點對社會裨益甚多。

從統計數字看來，去年間，勞工薪酬所得已下降至一九七一年之水平，但由停工而失去之工作鐘點却大大減少，既一九七四年首九個月內，此數字為二千六百多天，但一九七三年全年內則為五萬六百多天。

去年，求職機會減退，不少工人皆樂意

安份地保持現有職守，而不是往外尋求新的工作。

誠然，當經濟好景時，工人們當期望較優厚之待遇。但每當生產削減，生意衰退時，工人們對工資方面不會作過份之要求。

「金融時報」之專文指出：自第二次大戰以來，英國經濟增長受到障礙之因素為：缺乏天然資源，國內市場頗為狹小，及於一九五零年代與一九六零年代初期，國際貨幣市場對英鎊估價，予以其損毀不少。

該「金融時報」專文對影響經濟「順境」或「窘境」之因素分析詳盡，同時又把該等因素用諸於香港及英國之現實社會，作一比較。

該專文指出對香港不利之點有二——缺乏資源及本土市場。其優點則為——社會極具彈性、人們不會盲目爭取平等、正確之出口市場及穩健之銀幣。

誠然，香港欠缺英國所擁有之優點——如高深之教育程度，尤其工業教育；廣闊之工業根基，特別是需求大量資金之工業。及完善之社會輔助結構。再者，由於難民之事件及人口不斷膨脹給香港帶來了不少社會問題。香港需給予增加之人口充份之糧食、房屋及教育，但也許，此等需要予以香港本身一努力向前邁進之推動力。

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Gold Collection  
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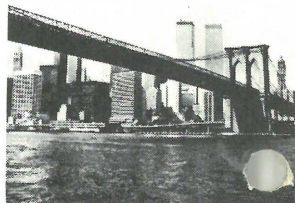
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