



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Scheduled Report - public distribution

Date: 9/15/1998

GAIN Report # HK8092

Hong Kong

ATO ACTIVITIES reports

Agricultural Export Opportunities Update -

September

1998

Prepared by:

Howard R. Wetzel II

U.S. Consulate General, Hong Kong

Drafted by:

W. Garth thorburn II and LEE Koon Yu

Includes PSD changes: No
Includes Trade Matrix: No
Trade Report
Hong Kong [HK1], HK

Agricultural Export Opportunities Update

September 15, 1998

Post Name: ATO HONG KONG

Post Contact Information:

Howard R. Wetzel
AGRICULTURAL TRADE OFFICER
AMERICAN CONSULATE GENERAL
U.S. CONSULATE HONG KONG
PSC 464, BOX 30
FPO AP 96522-0002

Tel: (852) 2841-2350
Fax: (852) 2845-0943
E-Mail: 106122.2744@Compuserve.com
Home Page: <http://www.usconsulate.org.hk>

SECTION 1:. MARKET IN BRIEF

The following economic data reflect current conditions in Hong Kong:

- Preliminary assessment revealed a decline in real GDP by 5% in the second quarter of 1998, following the 2.8% decline in the first quarter. GDP for 1998 as a whole is expected to shrink by 4% in real terms.
- The seasonally adjusted unemployment rate rose to 4.8% in May-July 1998.
- Inflation measured by CPI(A) dropped further, down to 2.7% in July, 1998. The forecast for inflation in 1998 has been revised downward to 3.2%.
- The number of tourist arrivals rebounded by 26.5% in July 1998, mainly due to a surge in visitors from the Chinese Mainland.
- Total exports decreased by 3.9% in the first seven months of 1998, partly due to the disruption caused by the failure in air-cargo terminal operations at the new airport in July.

Hong Kong is also the most important entrepot for the Chinese Mainland. About half of the mainland's exports are handled by Hong Kong. Out of Hong Kong's total re-exports (US\$ 159.6 billion in 1997), 94% (US\$ 149.7 billion) either originated from or were destined for the Chinese Mainland. According to China's Customs statistics, Hong Kong ranked as the second largest trading partner of the Chinese Mainland, accounting for 16% of the country's total trade, in 1997.

(Source: Hong Kong Trade Development Council)

SECTION 2: KEY MARKET INFORMATION

1. Hong Kong's GrandMart Warehouse Club Closes:

On August 28, 1998, GrandMart Warehouse Club closed all seven outlets in Hong Kong and filed for liquidation. While the Hong Kong economy continues to suffer from recession, the closing was due to internal management difficulties rather than poor market conditions.

GrandMart Warehouse Club was established in 1993 and was the first company to introduce the U.S. warehouse club concept to Hong Kong. In its heyday, GrandMart operated eight stores in Hong Kong and one store in Malaysia. Prior to its closing, GrandMart operated seven stores in Hong Kong and one joint venture store ("GoldMart") in Guangzhou, China.

2. Increase in Supermarket Sales:

Weak consumer confidence and a decline in tourist arrivals have depressed the volume of retail sales, which dropped 15.3% in the first half of 1998. However, supermarket sales recorded a 4.5 % increase in June, 1998. The increase in sales indicates that more people are shopping at supermarkets and purchasing grocery items for consumption at home, probably as a cheaper alternative to eating in restaurants.

3. The Asian International Seafood Show'98 Postponed Until May 1999:

Hong Kong Exhibition Services Ltd. has decided to postpone The Asian International Seafood Show which was due to take place in Hong Kong from November 4-6, 1998. The exhibition will now run from May 4-7, 1999 concurrently with Hofex'99. Due to the continuing uncertain economic situation in Asia, the organizers feel it is in the interest of both exhibitors and visitors to delay the exhibition until confidence in the seafood market strengthens.

4. T.G.I. Fridays Comes to Hong Kong:

A U.S. restaurant chain, T.G.I. Fridays, is planning to open its first outlet in Hong Kong in September or October, 1998. The restaurant is determined to bring its unique serving style to Hong Kong. T.G.I. Fridays has preliminary plans to open a total of four outlets in Hong Kong.

5. The Future of Kai Tak Airport (old airport):

The Hong Kong Government announced a massive town planning project to establish a new

residential, commercial and industrial area located on the land where the old Kai Tak Airport was situated. The project is scheduled to be completed in year 2016 and is expected to provide 118,000 apartments accommodating 320,000 people.

6. *Beetlemania Hits Hong Kong*

On September 11, 1998 Secretary Glickman announced new steps to prevent further infestation of the devastating, tree-devouring Asian Longhorned beetle. Glickman unveiled emergency regulations that ban entry into the United States of untreated solid wood packing materials from China, the source of the beetle infestation. Under the regulations, shipments containing solid wood packing from China will have to be heat treated, fumigated, treated with preservatives, or replaced with some other materials.

Trade with China has increased from US\$5 billion in 1985 to an estimated \$80 billion this year. And the volume of pallets and crates passing through US ports of entry has also grown exponentially, since goods are often shipped in solid wood packing materials. These materials can conceal a broad spectrum of pests, including the Asian Longhorned beetles.

The Ag Trade Office is working closely with other U.S. agencies, the Hong Kong Government and trade officials to provide information and guidance. The American Consulate held a press briefing on Friday, September 11 to inform the press of the pending interim final rule which would ban packing materials from China. Also, on Wednesday, September 16, the American Consulate plans to host a meeting to explain the U.S. ban on shipments from China/Hong Kong to representatives from Hong Kong based business associations, major shippers and port operators.

SECTION 3: UPCOMING PROMOTIONAL ACTIVITIES/EVENTS

The promotional activities listed below are provided for informational purposes only. And, no endorsement should be implied unless specifically stated. Terms and conditions of participation are the responsibility of the organizer. Contact the organizer directly for additional information.

A. TRADE SHOWS

Trade Shows in the U.S.:

October 16-20, 1998: "PMA Convention & Exposition and International Trade Conference", New Orleans, Louisiana, U.S.A. Largest produce exposition in the western hemisphere. The best produce items and the most innovative ideas in merchandising, packaging, ripening, handling and delivery techniques and technologies, market trends and more will be on display at PMA. Organizer: Produce Marketing Association, 1500 Casho Mill Road, P.O. Box 6036, Newark, Delaware 19714-6036, U.S.A.; Tel: (302) 738-7100; Fax: (302) 731-2409.

October 26-28, 1998: "InterBev'98", Dallas Convention Center, Dallas, Texas, USA. The International Beverage Industry Exhibition & Congress. Organizer: InterBev, Tel: (202) 463-6794; Fax: (202) 833-2484.

December 9-11, 1998: Seed Expo 1998, Hyatt Regency Chicago, Illinois, USA. Seed Expo 1998 also incorporates the 28th Soybean Seed Research Conference and 53rd Corn & Sorghum Seed Research Conference. This event represents the largest annual gathering of seedsmen in the world. It features informative speakers and an ever-growing trade show. Organizer: American Seed Trade Association, 601 13th Street, NW; Suite 570 South, Washington, DC 20005; Tel: (888) 890-7333 or (202) 638-3128; Fax: (202) 638-3171

February 6-8, 1999: United Fresh Fruit & Vegetable Association, 95th Convention & Exposition, San Diego, California, USA. An extensive, comprehensive, educational conference combined with trade show exclusively devoted to tools, technology, equipment, goods and services for the produce industry. Organizer: United Fresh Fruit & Vegetable Association, PO Box 1417 #320, Alexandria VA 22313-9954.

Trade Shows in Asia:

December 2-5, 1998: "ChinaMart", Beijing, China. ChinaMart is the first major offering of a supermarket event in Beijing. ChinaMart is expected to attract over 2,000 exhibitors and manufacturers of products for all types of food, beverages, supermarket equipment and technical services for the burgeoning supermarket industry in China and throughout Asia. Over 10,000 food executives from China and other Asian countries are expected. Organizers: E.J. Krause & Associates, Inc., Tel: (301) 493-5500, Fax: (301) 493-5705. J.B. Grant & Associates, Inc., Tel: (202) 785-6703; Fax: (202) 785-4293.

May 4-7, 1999: Hofex'99, Hong Kong Convention & Exhibition Center, Hong Kong. The 8th Asian International Exhibition of Food & Drink. Since the first show in 1987, Hofex Food & Drink has become the region's number one biannual event for the food and drink industry. Hofex also runs concurrently with the Asian International Seafood Show, Wine & Spirits Asia'99. Organizer: Hong Kong Exhibition Services, Unit 901-902, 9F Shui Lam Building 23 Luard Road, Wanchai, Hong Kong, Tel: (852) 2804-1500, Fax: (852) 2528-3103. U.S. contact: Robert Chang, Commerce Tour International, Tel: (415) 433-3072; Fax: (415) 433-2820.

June 22-24, 1999: Singapore Seafood Exhibition and Seafood Processing Asia, Singapore International Convention & Exhibition Center, Singapore. The Singapore Seafood Exhibition will bring together seafood buyers and sellers from Southeast Asia and beyond. It targets on the leading retail, food service, importers and wholesale companies. Organizer: Diversified Business Communications, P.O. Box 7437, 121 Free Street, Portland, Maine 04112-7437 USA. Tel: (207) 842-5504; Fax: (207) 842-5505.

August 25-28, 1999: Food China & Hotel China'99, Beijing, China. The sixth International Food & Drinks Exhibition. Organizer: Hong Kong Exhibition Services, Unit 901-902, 9F Shui Lam Building 23 Luard Road, Wanchai, Hong Kong, Tel: (852) 2804-1500, Fax: (852)

2528-3103. U.S. contact: Robert Chang, Commerce Tour International, Tel: (415) 433-3072;
Fax: (415) 433-2820.

B. IN-STORE AND MENU PROMOTIONS

October 1998, Promotion at Market Republic Supermarket and Texas Republic Bar & Grill: The Market Republic Supermarket at Red Hill, Hong Kong, is the only supermarket owned by Americans in Hong Kong. The store also carries mostly U.S. products. Texas Republic Bar & Grill, owned and operated by the same mother company, is adjacent to the Market Republic Supermarket. ATO Hong Kong, together with U.S. cooperators, will host a promotion at Market Republic and Texas Republic in October, 1998. For additional information, please contact ATO Hong Kong.

November 1998, City Super Promotion: ATO Hong Kong has targeted City Super, a successful department store with a single supermarket in Hong Kong for a possible in-store promotion in 1998. City Super is located in the heart of Hong Kong's retail district and has just announced plans to open a second store in 1998. The store is popular with both expatriates and locals, known for selling premium products. For additional information, please contact ATO Hong Kong.

November 1998, Dan Ryan's Promotion: ATO Hong Kong and Dan Ryan's Restaurant are discussing a possible U.S. menu promotion in November, 1998 with Dan Ryan's Restaurant, one of the most popular U.S. style restaurants in Hong Kong,. Dan Ryan's currently has two outlets in Hong Kong and is planning to open a third by the end of this year. There also exists the possibility of linking the promotion with CitySuper. Please stay tuned for the details.

C. OTHER ACTIVITIES

Hong Kong Selected to Co-Host 2000 Party

Hong Kong has been selected as one of 31 sites around the world to hold special events to track the breaking of the year 2000 as it spreads across the world's time zones. Each location, including Sydney, Moscow, Paris, London, New York and Rio de Janeiro will have a five-minute segment broadcast in the run-up to its new year. Hong Kong will be cued in by Tokyo with events shifting to Kuala Lumpur, Jakarta, Dhaka, India and then Dubai as the world turns.

SECTION 4:. OTHER INFORMATION

1. The Agricultural Trade Office and Hong Kong Cooperators have scheduled bi-monthly Cooperator Meetings as follows:

November 5, 1998

**November 19, 1998

**The annual Strategic Planning Session

Unless stated otherwise, all meetings held in the Conference Room of the U. S. Agricultural Trade Office in Hong Kong, 18th Floor, 33 Garden Road. All cooperators are welcome.

SECTION 5: LIST OF MARKET BRIEFS & REPORTS AVAILABLE

ATO prepares, commissions market overviews on selected food & beverage topics to assist U.S. exporters identify potential market opportunities and effectively compete in the Hong Kong market. Market overviews are available to companies and individuals through the ATO Hong Kong or Trade Assistance and Promotion Office of the USDA Foreign Agricultural Service (TAPO):

Phone: (202) 720-7420

Fax: (202) 690-4374

Market overviews currently available on are as follows:

Beer
Bourbon
Cakes, Cookies and Crackers
Canned Food
Cheese
Confectionery
Cooking Oils and Fats
Dried Fruits and Tree Nuts
Fast Food
Fish, Shellfish and Seafood
Food Retailing
Fresh Fruit and Vegetables
Frozen Fruit and Vegetables
Frozen Desserts
Fruit Juice
Herbs, Spices and Ginseng
Microwaveable Foods
Milk, Milk Products and Ice Cream
Pet Foods
Sauces, Relishes and Condiments
Snack Foods
Soft Drinks
Sparkling and Still Wines
-The Future of Hong Kong, China
-Hong Kong Beyond 1997 - AT A GLANCE
-8th Largest Export Market of U. S. Ag Commodities
-Hong Kong Food Service Sector Report
-Hong Kong Country Promotion Plan (C.P.)

To download a market brief or report, visit the Foreign Agricultural Service

Homepage:<http://www.fas.usda.gov>.

You'll find more than 100 reports relating to China. Or contact FAS AgExport Services division, (202) 720-7420 phone, Fax: (202) 690-4374; or ATO Guangzhou, China Hotel Office Tower 14/F Guangzhou, 510015 China, Fax: (86-20) 8667-7553. Fax: (86-20) 8666-0703, E-Mail: ato@gitic.com.cn

If you find any of the above information of value, we would greatly appreciate your feedback. Please fax or e-mail your comments to ATO Hong Kong at the above number and/or address.