The Emergence on the Port of Hong Kong

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Introduction

Hong Kong has undergone three stages of port development over the past 40 years. Before 1980, the government adopted a "laissez faire" policy with regard to port development and this mainly involved regional shipping activities. In 1979, the Chinese government adopted an open door policy. Between 1980 and 1994, Hong Kong's container throughput increased significantly due to the re-export trade from China. Also, mid-stream operations developed which helped the port run more efficiently and effectively. Hong Kong was well on the way to becoming a monopolistic hub for the Asian region. However, there was a great turning point in 1994. Foreign companies started making direct calls at China ports and this intensified competition with Hong Kong. Hong Kong started to face challenges from all ports in China.

- ***Stage 1: Before 1980***

Before 1980, port operations in Hong Kong mainly concerned transshipment activities for regional shipping and the container port for local needs. The government then adopted a laissez policy at the beginning of container port development. Under the laissez policy, the government provided the land and infrastructure for the private operators to operate a port business. A symbol of the commencement of the containerization era can be traced to the first container ship – "Tokyo Bay" of Overseas Container Lines (P&O Nedlloyd) which used the Kwai Chung Container Terminal in September 1972.

In the 1970s, there were two terminals operating at the Kwai Chung Container Terminal. One was Modern Terminals Limited (MTL) which was opened in 1972. The other was Hong Kong International Terminals (HIT) which commenced operations in 1974. In due course, MIT and HIT became the main operators at the Kwai Chung Container Terminal.

During the first stage, South China was a self-sufficient economy which created little container traffic. Non-containerized cargoes coming from China to Hong Kong were mainly for local construction and daily consumption. In other words, Hong Kong could be regarded as a relay hub for the Pacific Asia region where it served mostly local needs at the container port

- ***Stage Two: 1980 - 1994***

During stage two, Deng Xiaoping instigated economic reforms with a "socialist market economy" and implemented an "Open-Door" policy. These liberalization policies generated significant trade growth and cargo traffic movement. Because Shenzhen became a Special Economic Zone (SEZ), Hong Kong's manufacturing sector shifted to the Pearl River Delta (PRD) due to low land and labor costs. More and more manufacturers used Hong Kong solely for export as China had no other ports equipped specifically to handle containers. Also, Hong Kong had become a world-class container terminal facilities during this time.

In general, re-export trade became the main source of Hong Kong's container throughput. China development of containerized trade stimulated Hong Kong as a monopolistic hub. According to China Merchants by 1995, 95% of the containers going in and out of China transited Hong Kong. Between 1986 and 1996 Hong Kong's throughputs were reaching double-digit growth. Hong Kong became one of the busiest container hubs in the world.

In the second stage of development, there was a new maritime sector development - mid-stream operations. Mid-stream operations focus on the loading and unloading of cargo ships moored at anchorage or buoys in the harbor. It can help minimize congestion problems or bottlenecks on port infrastructure. In the long term, this can increase the container terminal capability and encourages the port to operate efficiently. The mid-stream operators and terminal operators complement each other,

- ***Stage Three: After 1994***

In stage two, Hong Kong was named as a monopolized hub and generated double digit growth with no competition from China ports. Most of China's ports had not containerized until after 1994. However, Hong Kong faced a turning point after that as more and more foreign companies started calling directly at China ports. This intensified competition with Hong Kong. Thus, the relative position and role of Hong Kong declined from a hub port of the whole of China region to a hub of just the South China region. In the Eastern part of China, shippers started to ship their cargoes directly from the nearest hub to destinations. China has recently formulated hub ports in strategic locations like Shanghai, Tianjin and Dalian. With competition, Hong Kong lost a significant market share.

Outside the PRD area, including Dalian, Tianjin, Qingdao and Shanghai from north to south along the eastern coast reduced their transshipment activities with Hong Kong. However, the ports of Xiamen and Shantou had a significant growth rate of transshipments with Hong Kong. This indicated that Hong Kong declined from a relay hub with the hinterland to a hub with a concentration on the import/export activities in South China.