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The Impact of Change on the Hong Kong Convention and Exposition Business

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ABSTRACT

The primary objective of this paper was to look into the future of the Hong Kong Convention Center. The July 97 hand-over has generated many speculations regarding Hong Kong’s future as a business center and as a tourist destination. The newly expanded Convention Center in the city has hosted many conventions and exhibitions in the past but its future is still uncertain. A wide scope of opinions is cited, predicting various scenarios regarding the future of the city. Based on these opinions and on statistical figures provided by the Hong Kong Tourist Association an attempt to predict the city’s future was made.

INTRODUCTION

The hand-over of Hong Kong, after 150 years of British rule, back to China raises many questions regarding the future of this city. A few weeks after the hand-over date of July first 1997, the western world is still holding its breath waiting to see if things will change and how. The agreement between Britain and China states that Hong Kong will maintain its capitalist economy and international business center, with its cosmopolitan way of life for 50 years beyond 1997. Will Chinese officials be running Hong Kong? Will there be a change in tax, trade, or currency policies? How will the hand-over affect tourism, currently the second largest foreign exchange earner in Hong Kong? Will the recently expanded convention center suffer from this change?

The objective of this paper will be to evaluate the various opinions regarding the above mentioned questions. By analyzing the type of business the Hong Kong convention and exhibition center attracts, estimations will be made regarding its future.
BRIEF CITY HISTORY

During the 19th century Opium Wars Britain used Hong Kong as a naval base. This territory was gained as a result of the first Opium War and the treaty of Nanking that, in 1842, ceded Hong Kong to Britain in perpetuity. Following additional conflicts with the Chinese in 1860 Britain gained Kowloon and Stonecutters Islands. In 1898 Britain acquired the New Territories on a 99-year lease. Settlements in the territory grew slowly and population increased further as exiles from China flowed in after the establishment of the Chinese Republic in 1912. During the Second World War the British army surrendered Hong Kong to the Japanese but reclaimed hold of the city after Japan was defeated. In the period 1948-1949, as the forces of the Chinese Nationalist Government began to face defeat in civil war at the hands of the communists, Hong Kong was flooded with refugees bringing its population in the spring of 1950 to about 2.2 million. Since then, it has continued to grow and today totals about 6.3 million. This influx of capital and manpower from China favored the establishment of light manufacturing in the area. The tax policies attracted foreign investors accelerating the city’s growth. In the three decades that followed Hong Kong turned into an internationally potent and vibrant commercial and financial center complete with a very modern infrastructure, serving tourists, businessmen and politicians alike, as a gateway to China.

In 1984, Britain and China signed a joint declaration agreeing to revert the sovereignty of Hong Kong back to China in July 1997. The joint declaration is a legally binding international agreement signed by the Prime Ministers of Britain and China. It states that on July 1st 1997 Hong Kong will become a Special Administrative Region (SAR) of the People’s Republic of China. It has been agreed between the two sides that the following policies of the joint declaration were to remain unchanged for 50 years:

(1) Hong Kong will be directly under the authority of the Central Peoples’ Government, meaning Hong Kong will be ruled by Hong Kong’s people, and will enjoy a high degree of autonomy except in foreign and defense affairs.

(2) China’s socialist system and policies will not be practiced in Hong Kong, and its current social and economic system will remain unchanged.

(3) The life style in Hong Kong will remain unchanged, with no foreign exchange controls.

(4) Law will protect rights and freedoms in Hong Kong.

(5) Hong Kong will retain the status of a free port and a separate customs territory; no taxes will be paid to China. (http://www.info.gov.hk).

CITY PROFILE

Hong Kong lies at the southeastern tip of China strategically located in the south pacific. It links the southern parts of Asia to the south pacific islands and Australia. The total area of Hong Kong is 1,091 square kilometers, comprising Hong Kong Island, Kowloon, and the new territories. In the 20th century, thanks to its location, industrious and clever population, and a combination of eastern and western cultures, Honk Kong became an international trade center. Hong Kong today is the seventh largest trading entity in the world, the largest banking center and the busiest container port (Zakaria, 1997). Hong Kong’s population at the end of
1995 was 6.3 million, 96% of which is Chinese (Traveler’s Guide, 1997).

As a business center Hong Kong attracts many business travelers but that is not all. Hong Kong has many other attractions to offer such as the Chinese Opera, several museums, colorful markets, luxurious shopping malls, various restaurants, and temples which are only a small representative of the temptations awaiting the leisure traveler. It is a city where modern Western technology unites with traditional Eastern culture. A wide variety of about 33,000 hotel rooms are available to the city’s visitors, whatever the purpose of their visit and their budget.

**THE CONVENTION CENTER**

The facilities: The Hong Kong Convention and Exhibition center (HKCEC) opened in November 1988 thanks to a period of rapid growth that enabled Hong Kong to establish its position as Asia’s trade fair capital and a premier international convention and meeting location. It is located in the center of the city’s business hub on Hong Kong Island facing the Victoria harbor, and providing, through its 131 ft. high glass façade, a breathtaking view of the harbor and city. More than 3,800 hotel rooms are within one square mile of the HKCEC and it is otherwise easily accessible by bus or ferry. The HKCEC is owned by the Hong Kong Trade Development Council (the initial center) and the Hong Kong government (the extension).

The 1997 expansion of the Hong Kong convention center was favored by the increase in demand for meeting and exhibition space in the city. It has been recently completed (June 1997) on reclaimed land within the Hong Kong harbor, directly in front of the existing center; its total cost was of US$620 million, bringing the convention center to a capacity of 2.67 million square feet (double the size of the 1.3 million sq.ft. Las Vegas Convention center) with 689,000-sq. ft. of rentable function space. The total function space is designed for exhibitions, 212,000-sq. ft. of which are also purpose built for meetings, conferences and special events. (See Table #1 for capacities)

One of the unique features of the extension is the 430,400 sq. ft aluminum clad roof, sculptured to portray an image of a seabird soaring into flight, symbol of Hong Kong’s rising importance as one of the world’s leading exhibition and convention centers. Since its opening the center has hosted over 12,000 events, from major trade and public exhibitions, to gala dinners, to product launches, to film festivals and international conferences.

Will the uncertainty affect future business? It seems that the answer to that question is ‘No’. The 1997 event calendar shows that business is continuing to thrive at the Hong Kong Convention center. Events are organized by local and foreign institutions and companies, bringing in attendees from all over the world. A current example is the International Association of Convention & Visitors Bureaus (IACVB) that held its 1997 Annual Convention in Hong Kong this July. Bigger events such as the ‘8th Food Expo’, expected to bring in 300,000 visitors, is scheduled for August 1997. The Hong Kong Convention center sales team is currently handling about 65 new inquiries on international congress (between 500 delegates to over 10,000 delegates per congress) between year 1998 to 2005.
The Target Market: many of the meetings and exhibitions held in the Hong Kong convention center are organized by locally based companies. These events, especially the larger ones, bring in a large number of attendees into the city. For example the 9th International Audio & Visual Show (scheduled for October 22-26, 1997) is expected to bring in 200,000 visitors into the city. While many of the exhibiting firms are local, the attendees come from various destinations in Asia and from the rest of the western world. Statistics provided by the Hong Kong Tourist Association show the major markets attracted to do business in Hong Kong. (See Table #2)

It is known that politically unstable destinations suffer from a decrease in incoming travelers. This is even more so for meeting exhibition planners who have large investments at stake. The fact that many of the event organizers and the exhibiting organizations are local will help the Hong Kong convention center overcome the first period of uncertainty (created by the ‘doom’s day’ predictions in the media). But only a stable political future will ensure a thriving future for the tourism industry and the convention center.

The Competition: The Hong Kong Convention center is not the only one operating in the Asian zone. Many other destinations have discovered the benefits of having convention facilities and are now competing with Hong Kong. Destinations such as Australia, Singapore, Indonesia, Thailand, and The Philippines are also offering convention facilities, luxury hotels, tourist attractions and easy access.

Australia has six convention centers, the three major one’s are: The Sydney Convention & Exhibition Center that has 275,000-sq. ft. of exhibition space with 20 meeting rooms, and 7500 hotel rooms available in the city. The Melbourne World Congress Center with 57,000-sq. ft. of exhibition space and 23 meeting rooms, with 8000 available hotel rooms. And the Brisbane Convention & Exhibition Center that has 259,000-sq. ft. of exhibition space, and 172,000 hotel rooms available.

The Olympic games scheduled to be held in Sydney in the year 2000, create a unique attraction for this destination. Many international first class hotel chains are located in all major cities; Plus, Australia is politically stable, has great outdoors activities to offer, and natural wonders such as the Great Barrier Reef. “Many groups like to combine trips to Sydney and the Gold Coast making for a sophisticated city/resort experience” (6). Although an entry visa is required, Australian destinations are easy to access thanks to many international airports, served by a variety of carriers, are located throughout the country in Sydney, Melbourne, Brisbane, etc.

Singapore has four convention centers: The Singapore International Convention & Exhibition Center (385,000-sq. ft. of exhibition space and 26 meeting rooms). The Chnagi Exhibition & Convention Center (606,000-sq. ft. of exhibition space outdoor and 253,000 sq. ft. of exhibition space indoor). The World Trade Center (374,000-sq. ft. of exhibition space), and the Singapore Indoor Stadium. 30,000 hotel rooms and some international airports (no visa required) service the large amount of meeting space in the city. “Singapore’s communications and business infrastructure, along with an abundance of visitor’s attraction have made it Asia’s leading convention destination” (6). All of the Southeast Asian cuisine is at hand, as well as abound shopping opportunities.
Resort atmosphere islands are available to those who wish to continue their vacation after the business duties are completed.

**Indonesia** has two convention centers located in the city of Jakarta: The Jakarta Hilton convention Center with 66,000-sq. ft. of exhibition space and 7 meeting rooms and the Jakarta Fairgrounds Kemayoran with 135,000-sq. ft. of exhibition space, an auditorium, and 13 breakout rooms. Indonesia’s exotic activities such as visits to the rainforest, Buddhist temples, and serene islands with a diverse range of water sports, make it into an attractive destination. The country is easily accessible, no visa is required and two centrally located International airports service the main cities.

**Thailand** has one convention center: The Queen Sirikit National Convention Center in Bangkok, with 297,000-sq. ft. of exhibition space and 4 meeting rooms. There are 40,000 guestrooms available in the city including many major international chains. There is an international airport situated close to Bangkok and no entry visa is required.

Thailand is also called the “Land of smiles”, thanks to its friendly inhabitants. This fact combined with an ancient culture, beautiful landscapes, and sunny beaches in the Phuket resort destination, make Thailand very popular.

**The Philippines**: There is one Convention Center in the Philippines: The Philippine International Convention Center in Manila, with 127,000-sq. ft. of exhibition space and 12 meeting rooms. Urban excitement and nature attractions such as colorful churches, Hindu and Buddhist temples, and Moslem mosques, make this destination very unique. The now-stabilizing political situation adds security for travelers, and getting around is easy since 90% of the population is English speaking. No visa is required and three international airports provide easy access as well as major western hotel companies located in Manila.

All this growing competition forces Hong Kong to remain competitive and to keep its convention business coming in. The future of the Hong Kong Convention Center depends of the future of Hong Kong as a business hub. If China will let Hong Kong maintain its old system, and be the true gateway to China, the city will continue to flourish and the convention center will benefit from the incoming business. But Hong Kong future is still unclear.

**ANALYST'S OPINIONS**

Many analysts have tried to predict what is likely to happen in Hong Kong. The following paragraphs will present a few examples from each end of a wide range of opinions. The analysts cited are diverse, some are educators, some are journalists, but they are all involved in Hong Kong’s life and provide the reader with an extensive range of opinions regarding the city’s future.

Steven N.S. Cheung is Professor and Head of the School of Economics and Finance at the University of Hong Kong. He is also the Editor of the Asian Economic Journal.

Cheung's forecast for Hong Kong's future is not of an extreme nature, he offers two options. Cheung analysis of the situation is focused on economical issues. His opinion is that China, or Beijing to be more precise, "puts economic reform ahead of political reform" (2), for that reason the partnership between Hong Kong and China may have a
good future. To become economically competitive like Hong Kong, China has to go through an economic reform: open up and transform to a market economy.

Cheung describes three kinds of systems of individual rights: (1) the communistic system that gives individual rights according to rank in the party; (2) the private-property system that gives individual rights according to property ownership; and (3) the regulated corruption system that creates a corrupted system that is very hard to change. The danger to Hong Kong’s freedom lies in the city’s force to change China. If the process of change in the mainland, from the first communist system to the second private ownership system, will not be completed, Hong Kong may find itself falling into a ‘mid-stage’. This will create a break down of law and order, Hong Kong will be held back by an infiltration of corruption and will not be prosperous to its full potential. The more positive forecast sees Hong Kong help China in completing the change and moving towards private property, equal human rights, and law and order. With this outcome Hong Kong will continue to flourish and China will become the world’s major economic force (2).

**Ambrose Yeo-Chi King** is a Professor of Sociology at the Chinese University of Hong Kong. According to him Hong Kong is no longer a purely economic city as it becomes more and more politicized. Hong Kong’s people marched in 1989 protesting against the communist suppression and for democratic reform. According to a poll conducted in Hong Kong in 1989, after the Tiananman Square massacre, 70% of Hong Kong’s people did not believe China will honor the ‘one country two systems’ pledge. The people did not trust China to “honor the basic law in guaranteeing individual rights and a separate economic system” (9). The 1995 elections in Hong Kong should remain in effect until 1999, without any change in 1997. Thus letting Hong Kong’s people rule Hong Kong as was the intention of the joint declaration.

King believes China is threatened by Hong Kong’s autonomy that “will inadvertantly, if not deliberately, transform Hong Kong into a separate, independent political entity” (9). Hong Kong stresses the necessity of autonomy, the ‘two systems’ part, while China looks more onto the ‘one country’ part, placing the emphasis on the reunification.

His predictions have become almost reality now, after the 1997 hand-over and the change in legislature promoted by China against the agreement of the joint declaration, in an attempt to pull Hong Kong closer to the Chinese legal system. An article in the New York Times discusses the issue of the legislative power ruling Hong Kong, claiming that “the territory [is] powerless to question Beijing’s decisions” (3). The court ruled that Hong Kong is subject to China’s authority, even if there is a difference between the Chinese and the Hong Kong systems, they are both forced to the same basic laws.

**David Newman**, a lecturer at Lingnan College in Hong Kong, **Bruce Bueno de Mesquita**, a fellow at Stanford University’s Hoover Institute, and Alvin Rabushka, another Hoover fellow who has written a number of books on Hong Kong, are the authors of *Red Flag over Hong Kong* (11). In this book, using a scientific model, the authors predict that “Hong Kong will lose many of it’s civil and political freedoms, while its economy [will] become increasingly compromised by corruption” (11). The model charts how competing interest-groups
resolve policy disputes according to the political trade-offs likely to occur after the hand-over. The results provided by the model describe an unstable situation for the first few years, moving between full to almost no autonomy, that will later stabilize on a lower level of autonomy than the one promised in the 1984 joint declaration.

Tsang Tak-sing is chief editor and associate publisher of Ta Kung pao, a Chinese-language daily in Hong Kong that supports the Beijing government. He claims that China has always been very pragmatic in its dealings with Hong Kong, leaving ideology aside. China’s main concerns when dealing with Hong Kong were sovereignty, strategy, utility and security – with the practical requirements of maintaining the city’s prosperity. Hong Kong has always been very valuable to China. For example when the outbreak of the Korean War resulted in a U.S.-led embargo on trade with China, Hong Kong became its link to the outside world (for importing supplies for example). Hong Kong was important to China in at least two aspects: for external trade and for diplomatic activities and Beijing was in no hurry to take it back from the British as long as the situation was to its advantage. Nixon’s visit to China in 1971 was the first step for China in establishing diplomatic relations with the western world. “Thus the international situation changed and along with it China’s strategic considerations” (15). Hong Kong was no longer needed as a diplomatic airway and could be taken back. Tak-sing believes that Hong Kong is valuable to China only if it maintains its current characteristics. He assumes that China will maintain Hong Kong’s uniqueness as long as it is useful to the mainland, in line with China’s past behavior towards Hong Kong. Tak-sing sees the future of the two entities as mutually beneficial, Hong Kong driving China’s modernization, and China providing resources to Hong Kong’s future prosperity.

Nicolas Kristof, a journalist of the New York Times, compares Hong Kong to the Trojan Horse, predicting that the reunification will introduce new ideas into the mainland that will end up changing it. For example the fight for human rights may influence China to become more autonomous. Hong Kong’s very existence undermines the legitimacy of China’s old economic system and ideology: Hong Kong furnishes 58% of the foreign investment in China (10). But it is in Beijing’s interest to keep its hands off Hong Kong and thus maintain good Chinese-American relations that will make future cooperation easier, such as the return of Taiwan to Beijing’s rule.

The figures provided by the Hong Kong Tourist Association present a promising picture. The statistics on conventions, exhibitions and corporate events for 1996 compared to 1995 show that the overall event number has gone up as well as the number of visitors (statistics do not include local meetings and events attended only by Hong Kong delegates). A total of 3,030 events were held in Hong Kong in 1996, a 40% increase from 1995, bringing almost 356,000 visitors into the city, 14,000 more than in 1995. (See Table #3)

The recent major investments speak for themselves, pronouncing the investors trust in Hong Kong future. The extension of the convention center (of US$ 620 million) and the new dual-runway international airport that will lie off the northern coast of Landon Island (Hong Kong largest Island) scheduled to open early 1998. (http://www.hkta.org)

Whether predictions are based on a scientific model or on assumptions they remain per-
sonal opinions. Only the future will tell what will happen to Hong Kong under Chinese rule. The two main options remain a possibility: either Hong Kong will influence China and under-root its dictatorship, or China will try to ‘tame’ Hong Kong and make it less of a threat to communist system. The mutual influence is inevitable, the question is who will influence whom and to what degree.

AFFECTS OF THE HAND-OVER ON TOURISM

Hong Kong was an all time favorite as an incentive destination for groups from the US and Europe. A 1996 survey states that 58% of Hong Kong’s visitors state their purpose of visit as a vacation, while only 29% come for business and/or meetings (HKTA website, 97), will these numbers change after the 1997 hand-over?

An article in Meetings & Conventions of June 25, 1997, mentions that “bookings for incentive programs after the July first takeover are virtually nil”. Industry professionals in Hong Kong predict the rest of the year to be slow and hotel rates to drop (7). Axmacher, Chairman of the Hong Kong Hotel Associations and General Manager of the Regent Hotel blames the press. He believes that the negative publications have scared off tourists: “hotels such as the Regent...have about 10% advance bookings for July and August whereas normally at least 50% of the rooms would have been reserved by now (referring to May 8, 1997)” (13). Other travel related businesses report a slow period after July 1997, expressing concern for the future of tourism in Hong Kong. Tourists, according to the Hong Kong Tourist Association, “brought about US$10.9 billion into the city in 1996, making tourism the second-largest foreign-exchange earner, nearly even with textile exports” (13).

But the gruesome predictions have, so far, remained theoretical. As the hand-over itself was quiet with out any disturbing events and Hong Kong, which was in the center of the news before June 31st, was suddenly forgotten by the media. It seems that in spite of the pessimistic forecasts business goes on as usual in the city. Hong Kong and China have been economically entwined since Deng’s opening of China in the early 1980’s. “This long-standing economic integration with China is a major reason for confidence in Hong Kong’s future” (4). China is the third largest investor in Hong Kong (after Japan and Britain), a fact that increases its interest in Hong Kong’s profitability even more (5). There are threats to Hong Kong’s prosperity such as high property prices and inflation “which make it a constant battle to stay competitive in an ever-more-global world economy” (4). The fear of the infiltration of the communist system, and the corruption that often comes with it, is also widely voiced by Hong Kong’s people. The control of the feared corruption is in the hands of the legislature. But its character is yet unclear since the council elected under British rule was partially replaced with officials chosen by Beijing.

According to Gary Silverman, a journalist for the Far Eastern Economic Review, the capitalistic competition may present just as big a threat as the communist takeover and “the uncertainties over rule of law and clean government” (14). In his article Capitalist Retooling Silverman talks of the growing competition that Hong Kong’s garment trading firms face. “As regional alternatives are developed, the once-explosive growth in port traffic is slowing” (14). Trading offi-
cials, such as Victor Fung, owner of Li & Fung, the biggest trading firm in town, believe this to be the beginning of a trend that will eventually slow the business inflow to Hong Kong in other business sectors as well. This will mean less business for the local hotels, as the business traveler will choose better value destinations. The convention center may eventually also be affected, if holding a meeting in Hong Kong will become a disadvantage in financial terms.

The rising prices in Hong Kong may present more of a 'threat' to travelers and meeting planners than the political situation. The Prices & Trends table in the July 1997 Far Eastern Economic Review, compares the 5.5% increase in consumer prices in Hong Kong to the 1.3% increase in Australia, 1.7% in Singapore, and 4.4% in Thailand and the Philippines. The rising prices may affect the popularity of Hong Kong as a tourism destination and as a business center.

CONCLUSION

The hand-over issue was a speculative topic in the period prior to July 1st 1997. The press was full of predictions, some positive some less. This paper dealt with only a small sample of the diverse opinions that appeared in the media and in different books. But the press had nothing to report as the hand-over moment itself went smoothly without interference. The political situation has changed for the simple reason that Hong Kong is now part of China and is no longer managed according to the British common law. But on the business front, things have not changed much. New laws including tighter controls on demonstrations and political parties have been issued with in hours of the hand-over, but this should not affect business and tourism. It is still in China’s best interest to keep Hong Kong in its old format. For example in allowing easy entry and exit to and from the city and taking full advantage of the new airport.

Business will go on as usual as long as it is to China’s benefit. Thus the interest to host conferences & events in Hong Kong may still be very strong. At present the political change is not much of a concern, however, the overall operational cost is. The rising hotel rates and F&B prices in Hong Kong have made Hong Kong less competitive among other Asian countries. The rising costs of doing business in the city may also end up affecting the hospitality operations if business travelers chose other destinations. But it seems that Hong Kong will continue to be doing profitable business and it will take more than a small trend to hurt this empire. Everyone who witnessed the collapse of the communist system, the inability to find a new functioning system, must appreciate the dangers of disintegration for a country with over a billion people. The Chinese experiment to move ahead economically before ever touching the political system is sound, even if inefficient due to the impediments of central intervention for an optimal allocation of resources. Hong Kong could be the necessary stimulator to accelerate the economic process and with it the eventual demise of the totalitarian way of running a country. If it proved difficult with a world divided 50/50 in the times of the cold war, it will prove impossible with only China (billion or not) trying to function as a non market economy. There simply is no way but to advance. Since the problem seems to be a marketplace issue more than a political one, Hong Kong, as an established free economy, is well equipped to deal with it's predicament. When in trouble, market oriented economies react economically,
reduce profit margins, slash prices, increase advertising, etc. Hong Kong's future, at least in the next 50 years, looks promising. Major investments such as the new airport and the convention center extension are likely to bring future business into this Asian pearl. The newly appointed Government is currently facing a big challenge to keep the foreign exchange coming in by keeping one of the largest industries in Hong Kong – Tourism, profitable.

REFERENCES


Web Sites
http://www.info.gov
http://www.hkta.org
http://www.bhkf.org
http://www.hkcec.com.hk
Table 1

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<th>The expanded HKCEC complex includes:</th>
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<td>5 Exhibition Halls</td>
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<td>2 Foyers</td>
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<td>2 Theaters – seating for 1000</td>
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<td>52 meeting Rooms</td>
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<td>Loading/Marshalling Area</td>
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<td>7 Restaurants</td>
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(Source http://www.hkcec.com.hk)
Table 2


(Source: http://www.hkta.org/ed_desk/figures/index.html#hss.gif)
Table 3

Meetings, Exhibitions, Convention and Incentive Travel

(Source: http://www.hkta.org/ed_desk/figures/index.html#hss.gif)