



Hong Kong: Paper and Paperboard

Alice Lai
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Summary

The market for paper and paperboard in Hong Kong is a mature one. Its performance is closely linked to the pace of the industry's restructuring, which is dependent on overall economic conditions. The high operating costs in Hong Kong have accelerated this, resulting in a decline in the amount of paper produced in Hong Kong and the shifting of the paper production base to Mainland China. However, robust growth in the economy this year and skyrocketing paper consumption in China's Pearl River Delta region augur well for the industry. Indeed, the paper and paperboard market has started to rebound and Hong Kong has become increasingly important as a sourcing center for paper used in China. The size of the paper market was approximately US\$898 million in 2006, and it is expected to increase slightly during the next five years.

Market Demand

The market for paper and paperboard in Hong Kong expanded from approximately US\$875 million in 2005 to approximately US\$ 993 million in 2006, mainly due to increased paper consumption and the robust growth of the economy. Industry experts predict a stable demand for paper and paperboard in 2007, partly fueled by continued growth in the economy. The forecast growth rate in real terms of Gross Domestic Product for 2007 is six percent.

Market demand for paper in Hong Kong is also driven by paper prices, the level of paper consumption in China's Pearl River Delta region and government initiatives. Although Hong Kong's paper market is mature, there are several market niches which may offer opportunities for U.S. companies in the next five years, such as waste paper and newsprint that can be re-exported to the Pearl River Delta region for recycling and Forest Stewardship Council (FSC) certified paper. These opportunities are reinforced by the well-recognized quality of American paper products in Hong Kong.

The U.S. was the fourth largest exporter of paper (7.7 percent share or US\$76.5 million) to Hong Kong in 2006, following China (18.7 percent share or US\$184.4 million), Japan (15.9 percent share or US\$157.9 million) and South Korea (14 percent share or US\$139 million). U.S. exporters should be aware that there is a shift from imported, virgin fiber kraftliner toward homegrown, waste-based testliner in Asia. Hong Kong and China's Pearl River Delta Region are no exception to this trend.

Hong Kong Recycled Paper and Paperboard Subsector Overview

The Hong Kong recycled paper and paperboard sector includes the manufacturing, distribution and sales of recycled paper, as well as the collection and sorting of recyclable materials from commercial and industrial waste paper recovered by collectors before initial production. The recycled paper and paperboard sector excludes virgin paper.

Major recycled paper and paperboard products addressed in this analysis are: packaging paper (kraft paper); container board (kraftliner, testliner and corrugating medium); and boxboard (duplex board or coated fiber board) and Forest Certified Council (FSC) certified paper.

The exact size and structure of the recycled paper and paperboard market are very difficult to measure, since this sector encompasses a wide variety of recyclable fibers and products. The best available estimates indicate that the recycled paper and paperboard market accounts for approximately 75 – 80 percent (by value) of the total paper market in Hong Kong. The other 20-25 percent of paper and paperboard sold in Hong Kong is produced without recyclable fiber content.

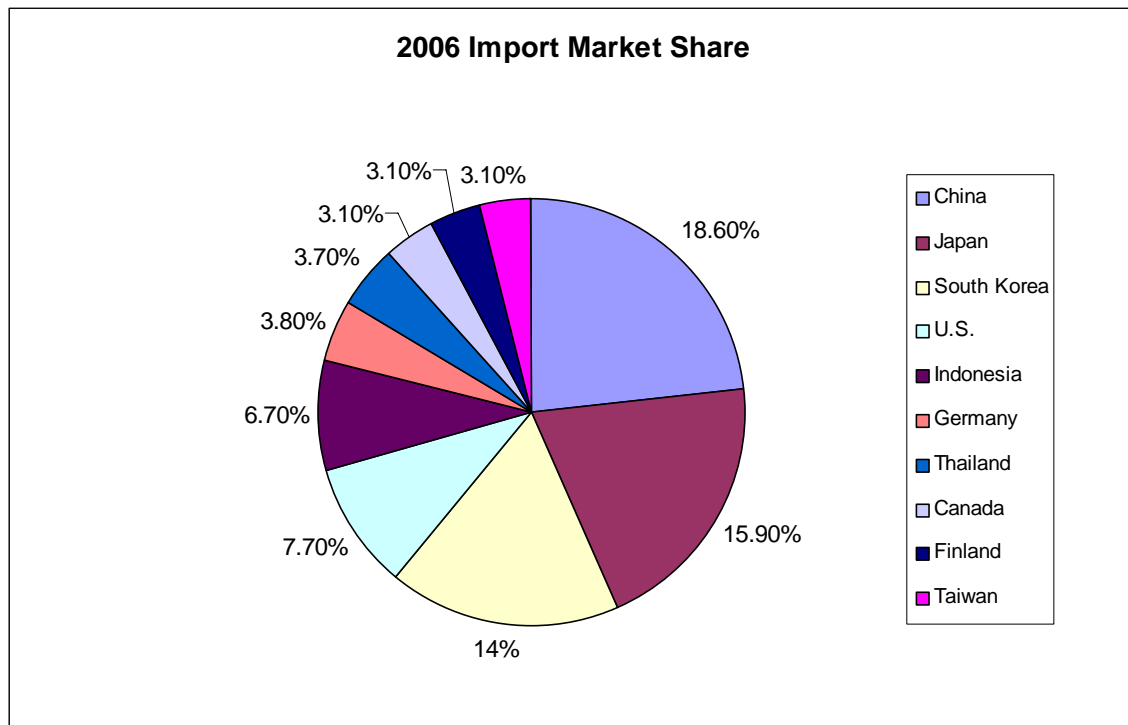
Market Data

Statistical data

Table 1: Hong Kong Market for Recycled Paper and Paperboard

Market Size Table (US Dollars Millions)

	2005	2006	2007 (E)	Projected Avg. Annual Growth Rate for following 2 Years
Import Market	3028	2995	3259	0% to +5%
Local Production	0	0	0	0%
Exports	2153	2002	2218	0% to +5%
Total Market	875	993	1041	0% to +5%
Imports from U.S.	66	76.5	80	0% to +5%



Sources: Census and Statistics Department, Hong Kong SAR
Estimates from Industry and Trade Sources

Notes to the statistical tables:

1. Import, export and local production figures contained in Tables 1 and 2 are estimates based on input from industry sources, Hong Kong government statistics, U.S. and Hong Kong trade magazines, industry associations, trade publications and information published on the Internet.

2. Gathering reliable information about the size and market value of the Hong Kong recycled paper and paperboard market is difficult, as readily available statistics do not exist and industry experts' opinions vary widely. Extrapolations were made after consulting with industry experts and associations.

Receptivity for U.S. products: 4

* Receptivity score reflects analysts' best judgment of Hong Kong end-users' level of receptivity to U.S. recycled paper and paperboard. The scoring system is based on the following scale:

- 1 = Not receptive
- 2 = Somewhat receptive
- 3 = Fairly receptive
- 4 = Very receptive
- 5 = Extremely receptive

Best Prospects

Industry experts have identified several market niches that offer opportunities for U.S. companies for the next three to five years:

There is a huge demand for Forest Stewardship Certified (FSC) paper in Hong Kong and China. Paper merchants in Hong Kong noted that many listed companies have requested FSC paper for annual report reproduction. Paper merchants prefer to use FSC paper from the U.S. due to its high quality, as well as the recent appreciation of euro against the dollar.

Demand for waste and scrap paper to be re-exported to China's Pearl River Delta Region for reprocessing is increasing as a direct result of more paper mill startups.

In the short term, U.S. suppliers are expected to maintain their dominance in kraftliner due to its well-recognized quality. In the medium term, U.S. kraftliner suppliers may experience expansion problems as a result of the increasing use of testliner in China's Pearl River Delta Region. Testliner (often used for manufacturing boxes that carry lightweight products) suits the needs of manufacturers in the Pearl River Delta Region who largely produce light consumer goods. Market share of U.S. testliner suppliers is lower than those of third-country suppliers because end users in Hong Kong prefer lighter-color, fewer flecks and often specify testliner from third country suppliers.

Despite the higher transportation costs and longer delivery time relative to those of Asian suppliers, U.S. exporters continue to enjoy a good reputation for quality. Furthermore, U.S. recycled paper and paperboard manufacturers have economies of scale which surpass the capabilities of Asian suppliers.

To increase their market share of recycled paper and paperboard, U.S. suppliers should take note that Hong Kong is a price-sensitive market, where U.S. products are considered relatively expensive. Since price is a critical factor in purchasing decisions, U.S. exporters should also consider Hong Kong as a spot market, where they can increase their sales of surplus product.

Key Suppliers

According to industry experts, the following third-country suppliers are some of the principal exporters of paper into Hong Kong:

South Korea – HanChang Paper Co. Ltd., Hankuk Paper Mfg. Co. Ltd., Hansol H.K. Ltd., SeRim Paper Mfg., Co. Ltd., South China Paper Ltd.,

Japan – C. Itoh, Unix Paper, Daishowa Paper Mfg. Co. Ltd., Kishu Paper Co.Ltd., Mitsubishi Paper Mills Ltd., Nippon Kakohseishi Co. Ltd., Nippon Paper Industries Co. Ltd, Oji Paper Co. Ltd.

Indonesia – APP (Hong Kong) Ltd.

Thailand – Thai Paper Co. Ltd.

Finland – Forest Alliance (HK)Ltd., UPM-Kymmene (HK) Ltd.

Canada – Alitibi Consolidated

Germany - Herlitz

Prospective Buyers

The recycled paper and paperboard market in Hong Kong can be divided into two groups of users; the packaging materials industry and the printing industry.

Hong Kong Packaging Materials Industry:

The packaging materials industry is the most important segment for U.S. sales of recycled paper and paperboard in Hong Kong. With over 500 establishments, the packaging materials industry accounts for an estimated 95 percent of recycled paper and paperboard sales in Hong Kong. While it is difficult to estimate how much those establishments will spend on recycled paper and paperboard in years to come, the general view is that demand for recyclable packaging materials is expected to rise in the longer term due to increasing environmental awareness in Hong Kong.

Major recycled paper packaging materials produced by Hong Kong companies include paper containers such as corrugated carton boxes, paper carrier bags, paperboard boxes and mould models made from old newsprint and corrugated paper. Similar to the paper industry, the packaging materials industry underwent restructuring over the past ten years. This has resulted in the shifting of the production base to China and has made Hong Kong increasingly important as a sourcing center for packaging materials used in China.

This segment is price-sensitive. To accommodate, U.S. suppliers may have to adapt their marketing strategies (aimed at a wider array of clients) by introducing less expensive product lines, while being careful not to hurt their market position or corporate image in other segments.

Hong Kong's Printing Industry:

The printing industry is composed of job printing, newspaper printing, pre-and post-press services. Use of recycled paper and paperboard is limited, and has been concentrated in newspaper production. However, increasing environmental concerns may boost the use of recycled paper in this sector.

Market Entry

One of the best ways to paper products in the Hong Kong market is through the use of agents or distributors. It is also an excellent way of minimizing the initial investment in the market. Working with agents and distributors in Hong Kong is very much like working with an agent in the United States. Hong Kong has no special legislation regarding agents and distributors. Virtually anything that both sides can agree to and put into a written contract is acceptable and enforceable, including restrictions on territory and a grace period for termination of the agreement.

Trade Promotion Activities

Many promotional vehicles are open to suppliers to introduce and develop their services in the Hong Kong market. These include:

- special trade fairs and exhibitions
- advertising in the media and other public relations activities
- holding seminars
- in-store promotions
- joint promotions with wholesale and retail outlets

Market Issues and Obstacles

Hong Kong is a duty free port, and the Hong Kong Government levies no import tariffs or duties on the import of recycled paper and paperboard. For inquiries on specific products, please contact:

Customs and Excise Department
8th Floor, Harbor Building
38 Pier Road
Central, Hong Kong
Tel: (852) 2852-3324
Fax: (852) 2541-9827 (Dutiable Commodities Division)

Safety standards

Few product safety standards are required for the domestic Hong Kong market, except products relating to fire control and some consumer products, e.g., baby products. U.S. companies seeking to export to Hong Kong should check with potential agents and customers to determine exact standards required.

Trade Events

Hong Kong International Printing & Packaging Fair
Dates : April 28 - May 1, 2008
Venue : AsiaWorld-Expo (International Airport, Hong Kong)
Organizers: Hong Kong Trade Development Council
And CIEC Exhibition Company (HK) Limited
Website: http://hkprintpackfair.tdctrade.com/fair_dtl/detail.htm

Print and Pack Expo
Dates: June 2008
Venue: Hong Kong Convention and Exhibition Center
Organizer: Business & Industrial Trade Fairs Ltd.
Website: <http://www.bitf.com.hk/eng/exhibitions.htm>

Resources & Contacts

Mr. Y.M. Wong, Vice Chairman
Chinese Paper Merchants Association
4/F, 132-136 Des Voeux Road West, Hong Kong
Tel. (852) 2548-1969
Fax. (852) 2559-3992

Mr. Peter Chu, Chairman
Hong Kong Corrugated Paper Manufacturers' Association Ltd.
15/F Kiu Kin Building
568 Nathan Road
Kowloon, Hong Kong
Tel. (852) 2385-6894
Fax. (852) 2770-4727

Mr. Fung Chun Chung
South China Paper Merchants Association Hong Kong
Room 901, 9/F Hong Kong House
17-19 Wellington Street
Central, Hong Kong
Tel. (852) 2524-4604
Fax. (852) 2869-6722

Mr. Ian Fung, Managing Director
Central National Hong Kong Ltd.
Room 1301 -2, New Trend Center
704 Prince Edward Rd. East
San Po Kong, Kowloon
Tel. (852) 2398-7666
Fax. (852) 2325-8095

Mr. Wilson Lee, Director
Forest Board & Paper Ltd.
Room 1301 Wealth Commercial Center
48 Kwong Wa St.
Mongkok, Kowloon, Hong Kong
Tel. (852) 2770-7366
Fax. (852) 2770-7666

Mr. Tobias Forster, Project Director
Time to Recycle
Room 101, Manley Commercial Building
367-375 Queen's Road Central
Central, Hong Kong
Tel: (852) 2982-6994
Fax:(852) 2982-1130

Mr. Richard Hu, General Manager
Hongkong Paper Agencies
15/F Communications Building
Hennessy Road
Wanchai, Hong Kong
Tel. (852) 2520-0155
Fax. (852) 2520-2255

For More Information

The U.S. Commercial Service in Hong Kong can be contacted via e-mail at: alice.lai@mail.doc.gov ;
Phone: (852) 2521-4638; Fax: (852) 2845-9800; or visit our website: <http://www.buyusa.gov/hongkong>

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