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China connection could help local firms reach Eastern Bloc

By DANIEL KWAN

THE China connection has given Hongkong businessmen an added advantage over their Asian counterparts in entering the East European markets, says George Oleksyn, the Trade Development Council's senior manager of operations.

"Hongkong businessmen can go through intermediaries in West Germany and Austria or we can go through another route — that is, mainland China," he said.

The Trade Development Council is working on several trade fairs to promote Hongkong products in East Bloc countries.

A garment and jewellery trade fair in East Berlin finished on Wednesday.

More than 30 Hongkong companies had also signed up for a trade fair called Consumexpo due to be held in Moscow next January, said Mr Oleksyn.

A number of China-funded companies in the territory are also reported to be preparing to make use of their mainland connections to penetrate the Eastern Europe markets.

Recently four letters of intent were signed between the Soviet Union and China Travel Trading Co (HK). These include the establishment of three joint ventures in China.

nancing the construction of the Overseas Chinese City.

Mr Zeng also said two Soviet delegations were due to visit China and possibly Hongkong in the near future.

One of the letters of intent covered the supply of computers, terminals and the necessary software for use on Soviet railways. It is estimated to be worth about HK\$260 million.

Since his company did not manufacture computers, it would look to outside suppliers for the contract and was negotiating with several suppliers, said Mr Zeng.

The other letters of intent in-

olved the establishment of three joint ventures in the Overseas Chinese City, involving the processing of timber and soya beans and the production of construction and decoration materials.

Most of the deals were in the form of barter trade since the Soviet Union lacked foreign exchange, Mr Zeng said.

"We have an advantage over other Hongkong companies in that we can do business with the Soviet Union through barter trade," he said.

China Travel Trading will be paid in commodities which are in acute demand in China such as rolled steel, timber and chemi-

cal fertiliser, while the Soviet Union will receive consumer goods, including home electric appliances produced by factories in the Overseas Chinese City.

China Travel Trading will use the timber and rolled steel for the construction of the Overseas Chinese City and will sell the chemical fertiliser on the mainland.

Hongkong manufacturers have shown keen interest in the Soviet Union and East European markets but find them difficult to penetrate because of currency problems.

Despite this, Mr Oleksyn said Hongkong companies could still

do business through barter or partial-payment arrangements.

The two contracts signed with the Soviets covered the sales of China Travel Trading exhibits at the fair and the export of building materials, transportation equipment, machinery and daily consumer goods to the Soviet Union.

He estimated that the first contract covering the sales of exhibits was worth about HK\$3.12 million.

Last year, direct exports from Hongkong to East Bloc countries and the Soviet Union totalled HK\$450 million, representing only 0.2 per cent of the territory's total exports.