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That quota controversy

A barrier to exports...

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Business Editor

The quota situation, which is proving a roadblock to the increase in garment exports, is threatening to grow into proportions which may be tragic not only to the clothing industry but to foreign industrial investment and local employment.

Everywhere one turned in textile circles yesterday one ran smack into the quota problem.

Foreign importers, department store executives and local manufacturers, to the man, complained about the chaotic situation and called for urgent Government action.

An American manufacturer, Mr Harold Tish, who is President of Viceroy Sportswear, placed the blame for the situation on the Government, who, he explained, keeps talking about a judicious way of allocating quotas but has not yet improved the situation.

"Hongkong is going into a feast or famine situation," he said. This could mean people losing their jobs if factories lose their business.

It is a short-sighted policy, he said, which does not encourage new companies. "If you are starting out, you are constantly manipulated and eventually you go out of business."

Under the current allocation system, the ambition of young people climbing up is stifled as new firms have difficulty acquiring quotas.

Referring to the high price of quotas, he warned that Hongkong could find itself in the same situation as Japan which priced itself out of the market.

Mr Tish was speaking not only as an importer but as the head of a company whose manufacturing capacity in Hongkong runs up to 200,000 jeans per month.

At a Trade Development Council press conference yesterday, top level European executives strongly believed that companies, particularly from France and Britain, would be eager to consider manufacturing garments here in joint ventures with local firms. But only when the quota problem is ironed out.

The Managing Director of the Steinberg Group, Mr Anthony Standbury, said there are distinct possibilities for British manufacturers to come to Hongkong and work on products no longer viable for production in Britain.

He would be presenting the idea to his own board, he said, but he was concerned, however, about the quota difficulties.

Mrs Laure Vieux of the Centre Francais du Commerce Exterieure of France was likewise confident about the possibilities of French and Hongkong companies teaming up. A mission is being organised under the Ministry of Trade to come to Hongkong this year, she said.

Adding to buyers' protests against the quota situation, local manufacturers who participated in the Ready-to-Wear Festival reported that orders were pouring in but – and it was a big "but" – they were unable to firm up business in many cases.

They could firm up orders only with buyers from countries where the quota is not tight, but in most cases final decision was subject to availability of quotas.

The Managing Director of Wo Yik Garment Ltd, Mr Stephen Wan, had firm orders amounting to $47,800 as of yesterday afternoon. On the other hand, potential orders which were subject to quotas amounted to $300,000.

The first question buyers asked when they came to his display room, he said, was: "Do you have quota?"

In contrast, the Managing Director of Teamfort Fashions, Mr Robert Wong, was sailing smoothly with his shirt sales. Orders were roughly $1 million from Japan, France, Germany and Scandinavia. He had purchased enough quota for a year's production.

A high-level official of the Department of Commerce and Industry explained the quota confusion to the sudden surge in demand for certain "hot" items and the low export ceilings allowed by importing countries.

The Assistant Director, Textile Control, Mrs Frances Hsiung, told the foreign executives at the press conference the quota allocation system had been in existence for years and the trade was familiar with it.

She discounted the possibility of a temporary measure to alleviate the situation pending the final revision of the system as any such measure would bring uncertainty to the trade.

The transfer aspect was a major point which the department was looking into, she said.

Contrary to reports, according to Mrs Hsiung, there are free quotas in some categories for certain countries which the Government is distributing to applicants. In

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knit shirts and blouses, the free quota scheme is now open for exports to France, Italy, Ireland and Denmark. Quota allocation based on performance is now being worked out for exports to the Benelux, Germany and Britain and this should be completed by mid-March, after which the free quota scheme will be introduced for balances available.

The feeling among some newcomers to the trade was that the portions they normally would get in the free quota distribution would not be large enough for them to establish a creditable performance, upon which their next year's quota would be based.

The newcomers still have to resort to buying quotas from other manufacturers or brokers.

Notwithstanding the quota situation, there are still some bright spots in the garment trade. The Director and General Manager of Ab-Ab Akafuda-do Co of Japan, Mr Yukio Hatsushika, said Japan, which had turned to Korea and Taiwan for garment purchases during the oil crisis, is now returning to Hongkong for quality products comparable to Italy's. Although Japan is increasing purchases from China, this is mainly in the lower end of the market.

Not particularly bothered with quotas are the executives of Hungary's Hungarotex, who are now completing orders during their 10-day visit.

Sales of textiles to Hungary last year amounted to $7.8 million out of total exports of $10 million. Most of these were garments.

The three executives are expected to place orders worth $10.5 million during this trip. There are only six suppliers of Hungary's clothing imports – Hongkong, Spain, Germany, Switzerland, Austria and Ireland, with Hongkong by far the biggest.