

## **A toast to the small and simple ideas**

When Yvonne Choi, then Deputy Secretary for Trade and Industry, stood in front of a business audience back ten years ago in 2000, and declared that Hong Kong could become the wine trading centre for Asia, the derisory snorts could be heard across the entire business community.

I don't recall that Yvonne was ever prone to smugness, but if she felt smug last week, I would forgive her. Hong Kong is today the world's second largest fine wine market – behind only New York, after overtaking London last year. This year, we are likely to boast 20 wine auctions, and four or five wine fairs. Last weekend, the leading American fine wine auctioneer, Acker Merrall & Condit, sold HK\$152 million of fine wines over two days – the largest wine auction ever conducted in Asia, and the second largest ever in the world. One wine-loving friend was invited last Friday to 17 wine-tasting dinners on a single night. Since 2006, when Hong Kong wine imports amounted to US\$91 million, imports have leapt five-fold, to US\$490 million in 2009.

If ever you wanted evidence that the small and simple ideas are best, this surely is it. Financial Secretary John Tsang stood up in his budget speech in February 2008 and said wine will no longer be taxed. He said goodbye to just under HK\$400 million in tax revenue. The reward to the economy since that day must be counted in billions of dollars and thousands of jobs.

I can think of only one other perfect example of this small and simple rule – and that was the decision back two decades ago to build the pedestrian escalator up through the squalid back streets between Central and Mid-levels. The decision gave us two years of chaos and disruption, and cost the taxpayer a modest few million dollars, but two decades later we have an area transformed. Hundreds of

restaurants, bars, fashion shops, ceramic shops now populate what was once a rat-infested home for dilapidated print-shops. One small investment by Government triggered huge private sector investment, and economic value that must be counted in billions.

But if the rewards from the escalator were large, wine is set to be awesome. The UK, for 400 years a leading wine trading centre, boasts four major wine storage companies. Hong Kong had five in 2007, and today boasts 19 – all of them subject to quality controls and regulation that surpasses anywhere else in the world.

Many must feel this transformation is nothing short of miraculous. After all, back in the 1980s, Hong Kong people knew about as much about wine as they did about coffee. High-roller dinners would toast on fine cognac (often diluted with Fanta, it must be admitted). Where on earth has this transformation come from? In one respect, Hong Kong has its colonial past to thank. It seems our large expatriate community has for many years retained not just a reasonably passionate interest in quaffing wine, but has also invested annual bonuses liberally in cases of fine wine. For several decades, this expatriate core has been joined – and overtaken – by wealthy local Chinese oenophiles who have build a formidable reputation worldwide as investors in fine wine. It is believed that between 15% and 20% of all the world's fine wine is today owned by Hong Kong residents. By scrapping tax on wine, John Tsang at a stroke allowed this select community to uplift their wine from cellarage in London or New York, and bring it home.

Of course, the demographic transformation that has occurred since 1997 has also helped. As Chinese families, now calm about the future of Hong Kong under Beijing's sovereign rule, have returned in thousands from Canada, Australia, the US and the UK to make Hong Kong their long term home, they have brought

back with them a cluster of western tastes – not just for wine, but for coffee too. Local consumption of delicious but not so ostentatious wines has risen steadily over the past decade (mostly red wine, which apparently accounts for over 80% of local wine sales). The thousands of “chuppies” who populate the merchant banking towers of Central, and decant to Lan Kwai Fung and Soho as the sun sets, have lifted wine consumption to unprecedented levels.

Perhaps surprisingly, this has not led to the awful drunken-loutish excesses that so scar the clubby areas of London or Sydney. Long may that remain so.

And as local wine consumption has risen alongside the astronomical growth of trade in fine wines, so the economic stimulus has been huge. Accurate statistics are still unavailable, but must account for many thousands of jobs and billions of dollars of economic benefit. Take the auction houses alone. All of the world’s leading auction houses now maintain significant offices in Hong Kong, and are holding between three and six auctions a year apiece. If you saw the volume of free champagne being sipped by patrons of the Acker Merrall & Condit wine auction last weekend, you would quickly realize the profits being generated at Hong Kong’s elite hotels. And as 840 winemakers last week exhibited their wares to 10,000 professional wine buyers at the 6<sup>th</sup> Vinexpo Asia-Pacific Exhibition at the Convention Centre in Wanchai, it was not hard to calculate the number of hotel room nights, the number of diners at fine Hong Kong restaurants, this single fair is likely to have generated. Add to this activity the less glamorous, but equally significant employment in importing, transporting and storing this wine.

More significant still is the transformation of the local wine culture. It seems as if every self-respecting international restaurant today arranges at least one wine-tasting dinner a month. Invitations to wine tastings flow so heavily that my

computer now parks many of them in my “junk” mailbox. Companies offering wine-appreciation courses have proliferated like yoga studios.

And last but not least, there is of course the “China factor”. Everyone recognizes that Hong Kong’s future as a wine hub rests not on the wine-sipping capacity of its local community, but of the burgeoning potential of China as a wine-consuming market. A growing number of the most active bidders at Hong Kong’s fine wine auctions are Mainland bidders, and this number must surely grow.

When John Tsang scrapped tax on wine two years ago, I believe he was confident the rewards would far exceed the tax revenue lost. But only in his wildest dreams could he have anticipated the explosion that has since occurred. We spend so much time criticising our Government officials for indecision, or lousy decisions, that we forget to congratulate them for the good ones. And this for sure was a very good one. So here’s a toast to a decision well made – and for Yvonne Choi’s bravery in facing down the business community’s derision 10 years ago.

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